

FINANCIAL TIMES

Monday June 21 1982



By Hugh O'Shaughnessy in

enos Aires and Andrew

BRITISH forces recaplured

yesterday the last Argentine

personnel in the South Atlantic waters. A small

number of Argentines on the

Thule Islands, in the South Sandwich archipelago, sur-

rendered without a fight to a

The Defence Ministry in

London sald the surrender took place at L30 pm London

time yesterday, but full

details were still awaited.

Argentina has protested that British helicopters fired on

unarmed civilians at an

fn Buenos Aires, the three-

man military junta was due to

meet again yesterday, for the

third day in succession, in try

Gen Alfredo Saint Jean, the

Interior Minister, is exercis-

ing the duties of President

while the three armed

and who abould lead the

policles. But his extreme

right-wing views have pro-

voked hostility among more

moderate generals.

The Argentine air force.

which acquitted itself well in

the Falklands campaign, is

nuited bhind the candidacy

of its commander-in-chief, Brig. Basilio Lami Dozo, sor

the presidency. He appears to

he gaining support also from some admirals. Brig. Lami

Dozo, who would be Argen-

tina's first sir force president,

turn to civilian rule and early

measures to reflate a flagging

For its part, the army, smarting from criticism of its

conduct in the way and from

the overthrow of Gen. Galtieri, wants; to see Brig.

Lami Dozo and Adm. Jurge

Anaya, the navy commander-

in chief, also purged, lest the

land forces be seen to be hearing too much of the hlame

for the Falklands dehacle.

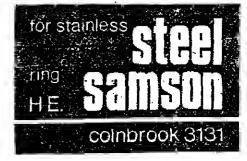
Continued on Back Page

economy.

Galtleri on Friday night,

Antarctic research station.

British landing party.



SWEDEN Kr S.00; SWITZERLAND Fr 2.0; EIRE 50p; MALTA 30c

BUSINESS

BANCO AMBROSIANO affair,

culminating in the death of chairman Roberto Calvi, is

threatening to prove Italy's higgest financial scandal since

the Sindona empire collapsed in 1974. Back Page

• REALIGNMENT of the Euro-

pean Monetary System took the

immediate pressure off the

and Euro Belgian franc interest

rates moved up to support the

corrency atthough it was well

within its alarm bell divergence

limit. Most concern centred on

the dollar's strength against all

FMI members. The French franc and lira fell to record

lnws against the dollar in spite

of central bank support, and the

D-Mark was at its lowest against

the U.S. currency since last

EMS June 18, 1982

ECU DIVERGENCE

(except the liva) may move more than 24 per cent. The lower chart gives each currency's divergence from the central rate against the European Currency Unit (ECU) itself a besket of Funcana surrence

COSTA RICAN external

bond proposals could ser a pre-

redent for treating Eurobonds

in international debt reschedu-

ling. Back Page; International

SWAPPING NEW SHARES

for outstanding corporate deht

is a craze sweeping through U.S.

• SECURITIES SELECTION

hased in Bermuda, today

launches a managed currency fund-Forexfund. Page 14

for Cities Service, removing a major obstacle to the latter's

acquisition by Gulf Oil. Page 18

• UK OFFSHORE oil supply

boat operators needs fear no protectionism from Norway

Shipping Minister Iain Sproat said after talks in Oslo. Page 3

· MERSEY DOCKS and Har-

bour Company is to withdraw cargo-handling operations

Agency is seeking to second

from hig companies four execu-

accountancy experience. Page 4

• HOMEFAST, a private parcel service starting today, could

cause a 35 per cent decline in

from Birkenhead. Page 4

OPERATIVE

conventional liner services

GOVERNMENT'S CO-

with marketing and

Development

hoardrooms. Page 17

bonds. Page 17

Grid

GENERAL

Gibraltar border reopening doubted

Doubts over Friday's schednled reopening of Glbraltar's border with Spain arose in Madrid among Spanish ministers. They also put at risk the scheduled simultaneous Anglo-Spanish talks on the Rock's future to be held at Sintra, Portugal.

If is understood Spain will seek an undertaking that Britain will discuss sovereignty when their foreign ministers meet in Luxembourg today to discuss Spain's EEC-member. ship bid. Page 2

PSA inquiry

of the A parliamentary inquiry into alleged fraud and irregularities at the Property Services Agency starts today. An inquiry into PSA fraud and corruption was under way earlier. Back Page

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- Grapes

T. (0.7129) 9 1157

A complete shutdown of London's Underground is likely today in a dispute over time-Tables. Page 9

Health pay talks

The Government meets National Health Service trade union leaders today. It is widely expected to improve its pay offer to advance of the 24-hour strike set for Wednesday.-Page 9

Dockyards row

- Dien out Dr David Owen was acrused by the Transport and General Workers Union of trying to set dockyard workers against each and urged to resign his

Fraud warning

The public riaks fraud and 1 1 12 m embezzlement in dealings with small building societies, says a report by an Institute of the set up after the Alfreton
Building Society case: Page 4

Scarman approval

The chart shows the two constraints on European Monotary System archenge or the state of the cross rates from which no currency the cross rates from which no currency the cross rates from which no currency then Building Society case: Page 4

Lord Scarman welcomed the launching of Black Rights UK at its inaugural meeting. The

group seeks a Bill of Rights.

Ulster blast

An Ulster Defence Regiment captain who lost both legs in a car homb hlast at Armagh in the third IRA attack over the weekend was still seriously ill.

Reconciliation

Thousands of Liverpool Orange Lodge members took part in a service in the city's Anglican cathedral for the first time in 50 years. It was for reconciliation.

e Mans winner Jacky Ickx of Belgium and MESA PETROLEUM, Texas Derek Bell of Britain won the oil company, ahandoned its hid

Le Mans 24-bour endurance race in a Porsche 956T.

World Cup England beat Czechoslovakia

2-0 to qualify for the second

stage: West Germany beat Chile

: 2×321d

القنفية والمساور

. _ ':''

11.50

Briefly ... National Scrabble champion is its accountant Russell Byers with record 1,626 points in three games against different players. the disputation Mencap Week starts. Thames TV's Help programme will seek younteers to hefriend the catedata. mentally handicapped.

firitish free-fall record set by 27 members of RAF Sport Parachute Association

Jestoration. Men and Matters, Royal Mail deliverles, says a Statue of Liberty needs urgent Page 12

Post Office report. Page 4

.know	France: After devalua- tion 12
Maria Maria	Personal computers: After
il die le Til Verileid Til Verileid	Technology: Defence elec- tronics needs more cash 10
11.4	Management: Why Bendix is set on constant change 10

Lombard: Police and the community 13
Justinian: Lord Denning and his pet aversion ... 8
Editorial comment: The Militant report; how India earns aid12 Surveys: Hong Kong Inset

World Stock Mkts. tertain. Guide ...

For latest Share Index phone 01-246 8026

U.S. monetary policy changes considered

BY ANATOLE KALETSKY IN WASHINGTON

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr.35; DENMARK Kr. 6.50; FRANCE Fr S.00; GERMANY DM 2.0; ITALY L 1.000; NETHERLANDS FI 2.25; NORWAY Kr. 6.00;

Financial scandal ts considering far-reaching changes in U.S. economic policy, with particular emphasis threatens on the Federal Reserve system's methods of monetary controt, Mr Donald Regan, the Treasury Secretary, and other senior Administration officials revealed Italy over the weekend.

· A series of disclosures on the re-examination of economic policy began when Mr Regan sald at a Washington Post lunch that he concurred with the prevailing view on Wall Street that the next move in U.S. interest rates was more likely to he up than down. Speaking on the record, Mr Regan declared that the Administration could not "just stand there" with unchanged policles, if unem-ployment and interest rates

French franc and Italian liralist week. Both currencies remained high. were devalued, leaving the Belgian franc looking increas-ingly vulnerable to renewed speculative attack. Brusaels Although President Reagan has repeatedly said he would not "print more money" to pult the U.S. economy out of recesaion, statements such as that of the Treasury Secretary may indicate that the President's desire to see interest rates fall, and economic activity pick up, may now he gaining the upper hand

Mr Regan said that; with inflation under control and after congressional agreement this month on a budget programme. there was nothing but monetary policy to explain the continuation of high interest rates. The recent sharp fall in the

price of gold, a traditional hedge against inflation, showed it was not the markets' fears about inflation which was driving interest rates up, he added. The Treasury was studying actions of other presidents in similar circumstances. Mr Regan said. This, according to officials, was a reference to the constitutional relationship be-

THE REAGAN Administration tween the president, the congress and the Federal Reserve. The Federal Reserve is formally independent of the president, although it is answerable

to Congress. On the other hand, the president is elected by all the people, and he has a right to put his policies into being and to be held accountable for them," Mr Beryl Sprinkel, the Treasury Under-Secretary for held accountable for Monetary Affairs, said on Saturday in a separate milieu. "Since we have been here, we have not gotten the kind of monetary

we asked for." he added. The Federal Reserve bas been strongly criticised by Mr Regan, Mr Sprinkel and other Administration officials this year, but there are sharp differences of view within the Administration about how monetary policy could

monetary growth to fluctuate too erratically outside ils target range. This is alleged to have created uncertainty and has led investors to question strength of the Fed's determination to reign in monetary ex-pansing. According to Mr Sprinkel and other hard-line monetarists in the Administra-tion, all this has added premiums for uncertainty and

rates of interest. . Other officials have argued that the Fed's preoccupation with quantitative monetary targets is the real problem. They would prefer the Central Bank to return to concentration on the level of interest rates. Some helieve that the counter-inflationary impact of present monetary policies could then be maintained by a reform of the dollar to a gold standard.

The monetarist faction in the Administration has been calling on the Fed to tighten its procedures, and retain its present monetary targets.

Among procedural reforms suggested have been a new system of reserve accounting for banks and stricter control of the amounts of reserves which the Fcd provides to hanks. The Fed has argued that such reforms would prohably lead to even wider fluctuations in interest

Although such reforms might improve the Fed's ability to make money grow along a narrowly defined path in the very short term. Fed economists helieve that short-term monetary fluctuations have no economic significance.

Mr Regan hinted that it was this kind of procedural change Certain officials believe that Fed's policies are correct. It is the Fed has failed by allowing their practices that are leaving a lot to he desired," he said.

But other officials have suggested that the Administration would only he interested in a change in Fed policies which result in a reasonably quick fall in interest rates. gressional advocates of a change In the Federal Reserve's constitutional independence have advocated either an easing in monetary policy or a return to inflationary fears to what would the gold standard, with the Fed otherwise have been much lower concentrating on maintenance of a reasonable level of interest

Mr Paul Volcker, the Fed's chairman, told Congress mem-bers last week that any Fed actions to ease monetary targets would result, at best, in a fall In interest rates only for the short term. In the longer term. would aggravate fears of Inflation and cause interest

Malaysia agrees to join proposed tin agreement

MALAYSIA announced yester- to have acquired more than day before lalks are to resume all, to join the proposed new international tin agreement between producing and consuming countries that control the for five years—about £1,000 world's tin market. below the Straits tin price.

But it is insisting on the formation of a separate producers-only association This may well upset consumer countries already concerned by the militant stance taken recently hy Malaysia.

The International Tin Agreement is the oldest commodity pact. It regulates the market by use of a huffer stock that huys up surplus tin and it will use export controls if necessary, to prevent tin prices falling below an agreed "floor."

Conversely, the huffer stock vent prices going through an agreed celling.
The Straits tin price

Malaysia is at the floor level in to protect their interests. spite of sustained huving by the huffer stock which is believed he announced on Tuesday—the a tonne.

quarter of world annual con- new tin agreement. sumption. Tin prices in London on Friday were at their lowest

Malaysia's decision to join means the new agreement could come into force on July 1, cent of consumer countriesallowing the haffer stock to continue operating and more stringent export controls to be introduced.

Dr Datuk Seri Mohammed Mahathir, the Malsysian Prime Minister, announced in Kuala Lumpur that his country would take part in the new tin agreement. But he added that Malsysia, Indonesia and Thailand, who control about twothirds of world the production, sells any holdings it has to pre- had agreed to the immediate vent prices going through an creation of s tin producers' association because they felt the new tin agreement would fail

Details of the association will

day that it was prepared, after 40,000 tonnes of tin-about a in Geneva on implementing the

The talks were adjourned earlier this month when Malaysia said it was uncertsin whether it was going abead with an agreement which had been ratified by only 51 per way below the 65 per cent required for the agreement to come into force.

The U.S. has decided against joining and, so far, Russia and several smaller countries have also indicated they are unwil ling to join. Japan and the EEC have said they will join, although West Germany and Britain are insisting on a clause in the agreement opposing manipulation of the market.

This is a clear reference to the mystery buying group helieved to he acting on hehalf of producer interest which earlier this year pushed tin prices to a record level of £9,000

Sale of BA's Aeradio subsidiary likely to be announced today

BY RAYMOND SNODDY

is expected to be announced formally in the Commons to-

But it looks increasingly unlikely that other BA sub-sidiaries will he sold before the airline as a whole goes to the private sector.

Mr Ian Sproat, the Under Secretary of State for Industry. wilt tell MPs, in a Commons answer, that the Government has been told that BA intends th sell international Aeradio He will give no further details on the grounds that it is a matter for British Airways and that it is too early to say.

Nonetheless, a memorandum in effect a prospectus-Aeradio International is likely to be sent to interested companies later this week. The company makes air traffic control systems and manages airports in the Third World.

The decision to offer it for sale by tender to private companies was taken after speculators made high short term profits from the recent sale to the public of shares in Amersham International, the radioactive medical products company whose disposal caused a major row in the Commens.

S. G. Warburg, the merchant

THE forthcoming sale of hank, was asked to draw up the S. G. Warhurg is already pre-British Airways' profitable In-memorandum, which will go to paring the selling prospectus for ternational Aeradio subsidiary more than 30 companies which the Government's next major have written to express interest in huying International Aeradio. The interest came slthough the company had never been formally offered for sale.

The companies include GEC.
Racal Plessey, Grand Metropolitan and BAT Industries in
the UK, Siemens in West the UK, Siemens in West Germany, Philips in Holland, and Litton Industries in the International Aeradio is also

involved in air timetables and maps, weather forecasting and hospital management. It made pre-tax profits of £5.3m on revenues of £134.7m in 1980-S1, and has been consistently profitsince it was founded in

which is approaching £thn. The subsidiaries included British closely with N. M. Rothschild Airways helicopters, British Air on the text of the prospectus, Tours and Sovereign Holidays. and Britoil's hanker was pro-Mr Sproat, however, is now viding background details.
thought to be prepared to tell No decision on the pricing
the Commons that he has not strategy to he used in the case been consulted by BA on any of Britoil was likely to be taken other sale plans by BA. The until much nearer the launch airline said at the weekend it date, said Warhurg. An offer

sidiarles.

government pressure for other

project for the private sector. This is the sale of Britoil, the company which has taken over the exploration and production interests of the British National Oil Corporation. The Government's target date for a public flotation is still believed to be November at the earliest. Warburg is acting on behalf of the Department of Energy

as the seller, but Britoil itself is heing advised by N. M. Rothschild, the merchant bank which advises BNOC and has played a load manager's role in earlier flotations of public sector-companies, most recently Amersham International Warhurg said yesterday that

its own role as lead manager in the Britoil issue had been It is believed there was understood clearly since an overnment pressure for other anouncement to that effect four BA subsidiaries to he sold to months ago hy Mr Nigel Lawson, help reduce the airline's deficit, the Energy Secretary: Nevertheless, the bank was working

No decision on the pricing had no plans to sell other sub- by tender remained one option, hut a final decision might come Duncan Campbell-Smith adds: only days before the launch.

Last isle Begin urges peace captured force for Lebanon by UK BY DAVID LENNON IN TEL AVIV AND ANATOLE KALETSKY

MR MENAHEM BEGIN, Israel's newal of full-scale warfare is Prime Minister, claimed yesterday that there was no difference

between his views on the invasion of Lebanon and those put forward by President Ronald Reagan.

to meet Mr Reagan in Washingtroops would leave Lehanon, hut only after "the scourge of

London hy Mr Reagan. Mr Begin said that to assist

in this objective an international peacekeeping force would he needed to control the 25 miles of Lebanese territory north of the Israeli border.

Lehanese governments.

to agree the appointment of a new President, following the denarture of Gen Leopoldo services quarrel over policies

Gen. Galtieri's successor as commander-in-chief of the army. Gen. Cristino Nicolaides, was reported to he pressing hard to take over as head of state, with a guaranteed five-year term in office and carte blanche to pursue conservative cconomic

ln Lebanon.

the Israeli siege of Beirut. Mr Meridor said that Israel would continue to observe the reaseure, as it had done since Friday, June 11. He said that references to a 48-hour ceasefire over the weekend had no relevance, neither did any talk

Syrian forces indicate that a re- foreign ministers.

Mr Begin, who was speaking on television in the U.S., is due The Israeti premier said his

terrorism is stamped out." quoting a comment made in

the control of what he described as the UN "Insecurity Council." He said each contributing nation would have to make individual, detailed agreements with the Israeli and

Sporadle fighting was reported resterday from around the Lebanese capital Beirut, where several thousand Palestinian guerrilias and Syrian troops have been encircled by Israeli forces for several days, Thousands of people continued to leave the western part of the city yesterday.

Mr Philip Habib, the U.S. special ecocy, is continuing his meetings with Lebanese leaders in an effort to forestall an Israeli assault on the capital. In Israel the Cabinet has totally rejected U.S. efforts to

persuade it to negotiate with the Palestine Liheration Organisation on either n PLO withdrawal from Beirut or on the future of the Palestinians living In the occupied West Bank and Gaza Strip. This emerged from a state-

ment by Mr Dan Meridor, the military and political situation the U.S.

arrangement which would resolve the tension caused by

about extending it. But the continued build-un of

israell forces encircling Beirut and the weekend clashes between Israeli, Palestinian and

The Israeli Cahinet also heard of preparations the Palestinian

to renew the fighting in the Beirut area. The most worrying report was of a huild-up of thousands of guerrillas, together with votunteers from Iran and Jordan, beside Aley, a town 15 kilometres east of the Lehanese

The ministers were apparently told that if the build-up and sporadic attacks on the Israeli forces continued, the Cahinet might he called into session again this week. This can only he interpreted as meaning that in those circumstances Israel guerrilla concentrations.

The Cabinet was also told that This force could not be under the U.S. would support a programme for the gradual withdrawal of Syrian forces from some part of Lebanon, but not from all areas and definitely not from the Beka Valley area of eastern Lebanon.

Ministers were also dis-turbed to learn that the Americans would support a continued PLO presence in Lebanan - as a political rather than a military organisation — something which runs contrary to Israel's secondary war aim of destroying the political power of the Palestinian organisation.

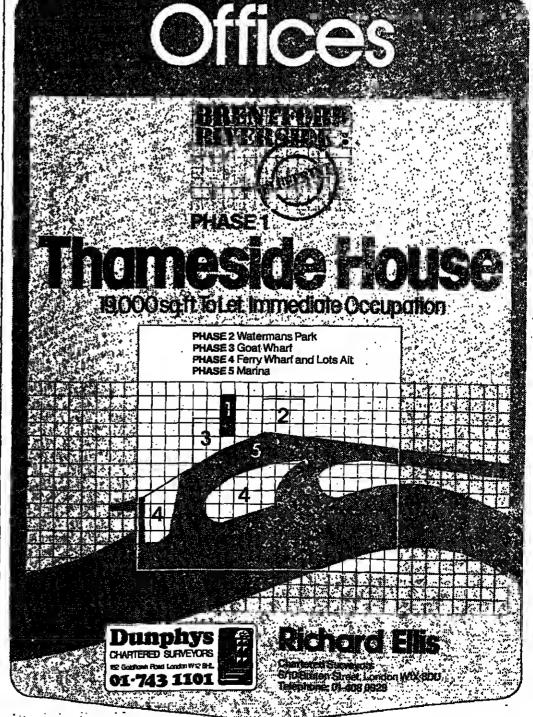
EEC goveroments have meanwhile sent a detailed series of questions to Israel in an attempt to secure a clear statement of its objectives in Lebanon. Foreign ministers meeting in Luxembourg yesterday were attempling to prepare the groundwork for the next state-

ment on the situation. The Ten originally condemned the Israeli Invasion and called for an immediate withdrawal. The reply to the EEC questionnaire may have an important influence on the stance that the Community will now adopt.

EEC officials make no secret Cabinet Secretary, after a of the difficulties the Com-Cabinet meeting yesterday munity is having in trying to which heard reports on the co-ordinate a policy line with co-ordinate a policy line with

Having witnessed the obvious The Cabinet was informed fury of Mr Alexander Haig, the that Mr Habib had not made U.S. Secretary of State when any progress on devising an news of the Israeli Invasion reached the Versailtes summi two weeks ago, EEC foreign ministers are surprised at the way the Reagan Administration has so oulckly succumbed to lie domestic nro-Israeli lobbies and avoided taking any sauctions agolnst Jerusalem.

Saudi Arabia warned at the weekend that the Arah conntries would evercise their rights of territorial defence if Israel attemoted to enter Beirut. The warning was issued after talks between the Saudi and Syrian



BY PATRICK COCKBURN IN DAMASCUS

SYRIAN soldiers will not he withdrawn from Beirut under Iskander Ahmed, the Syrian information minister, said yesterday. He added that Syria could Lehanese President Elias Sarkis Israeli seldiers and not a free

Clarifying reports ef a new strategic agreement between Syria and the Soviet Union, upgrading the existing friendship and co-operation treaty, Mr Iskander said that Syria wanted such a new treaty but nething has yet been signed.

The Syrians feel that Israeli military successes, particularly the destruction of the Sam antiaircraft missile system in the Bekaa Valley, are the result of the U.S. previding Israel with its most modern weapons. The most sophisticated armaments in the U.S. are tested by the Israeli leaders," Mr leaders,"

Syria clearly wants comparable weapons systems from the Soviet Union, but there are still no signs that Moscow is prepared to provide these. Under the present treaty the Soviets bave guaranteed Syrian territory against Israeli attack, but guarantee does not extend to Syrian forces in Leb-

The Syrian belief that President Sarkis is acting under duress will make it extremely difficult for any long-term agreement involving the Lebanese Government to be worked out. 'Israeli tanks are close to Babda Palace where President Sarkis lives," Mr Eskander said yesterday. This prevents the leader taking any independently.

Iraq has started te withdraw Israeli pressure Mr Ahmed its troops from the remaining the start of the Gulf war, it was announced in Baghdad yesteralso not comply with requests day. The Iraqi News Agency for a troop withdrawal from said the withdrawal would be completed in 10 days. Iraq has because he was surrounded by suffered a series of majer military defeats this year and on June 10 made its first offer of an almost uncenditional withdrawal.

It seems that Iraq has now decided to go ahead without receiving anw indications from Iran that it is willing te negotiate a peace treaty. Iraq anneunced a unilateral ceasefire

In the past, the Syrians have always said that they would leave Lebanen, which they entered in 1976, to end the civil war if President Sarkis asked them to. They now apparently regard the Lebanese administra tion, which is almost entirely without executive aut rity, as Israel's chess pawn.

was the first given by the Syrian Government since the Israelis invaded Lebanon over two weeks ago. Damascus has made little effort to explain its policies to either the media or to foreign ambassadors. Diplomats Syrian Government'a inability to

decide its best course of action Mr Iskander gave no indication that the ceasefire between Israel and Syria was expected to break down, but the Syrians are clearly hopeful of greater support from the Soviet Unien. So far the only foreign troops to arrive are from Iran. Some 2,100 of these are believed to have reached Syria, but enly a small number are in Lebanon.

rebeis. Unless Sr Perez-Llorca returns from Luxembourg convinced that he will obtain e substantive negotiating agenda when be meets Mr Pym again on Friady, officials said Spain was likely to post-pone the talks and the border re-opening. This weuld be the second revised date for both events. They were postponed last April in the wake of the Argentine invasion of the Falkland Islands.
To prepare Spanish public

Doubt over

of Gibraltar

reopening

border

By Tom Burns in Madrid

LAST-MINUTE doubts by

some Spanish Ministers have

pnt in jeopardy the re-open-

ing of the Gilbraltar border

and the simultaneous talks

ever the future of the rock to

be beld in Sintra, Portugal,

between delegations headed by Mr Francis Pym and Sr

Jose Pedro Perez - Llorca,

It is understood that Sr Perez-Llorca would make a final effort to obtain from Mr

Pym an undertaking on Britain's willingness to dis-

cuss the sovereignty of the

rock when both ministers meet in Luxembourg today

during negotiations linked to Spain's EEC membership bld.

Earlier optimism that both the border opening and the talks would go ahead as

planned on June 25 was over-

taken at the end of last week

by what an authoritative source called "cold feet"

among certain Spanish mini-

The ministers questioned the wisdom of throwing away

Spain's principal bargaining

counter in the vexed Gibraltar

dispute by unilaterally lifting

the blockade imposed by General France 13 years ago.

tion nervousuess in the Government, which is reluc-

tant to aggravate right-wing and military circles that have

consistently viewed the border

between the Government and

conservative army sectors

came into the open last Thurs-

day when two generals were placed under house arrest

following a tense incident

with the president of the

court martial tribunal that

sentenced last year'a coup

The uneasy relationship

reopening as betrayal.

The doubts reflected poli-

Spain's fereign minister.

opinien fer the possibility, most Spanish newspapers published front-page reports on Sunday saying Britain was Gibraltar sovereignty, and the Conservative. Madrid newspapers Ya and ABC edi-torially called for a postpone-

Haig steps up attack on Soviet arms plans

By Anatole Kaletsky in Washington

MR ALEXANDER HAIG, the U.S. Secretary of State, intensified the Reagan Administration's attacks on the Soviet Union at a Press conference on Saturday after two days of talks in New York with Mr Andrei Gromyko, 'Soviet Foreign Minister.

Mr Haig revealed that the Seviet Union bad started an "unprecedented" series of strategic weapons tests, including tests for nuclear warfare in space, within days of Mr Gromyko's strong speech in famous of nuclear discrements. in favour of nuclear disarma-ment at the United Nations last week. He said that the Soviet actions belied the words put forward by Mr Gremyko for the world

audience at the UN. Mr Haig refused to discuss the likelihood of a summit meeting between President Reagan and Mr Leonid Brezhnev, the Soviet leader. Officials in Washington have indicated recently that an autumn summit, which had been thought probable, may now be in question unless there is a good chance of its producing a "positive out-come." Mr Haig said only that both nations "agree that summitry for summitry's sake is to be avoided."

His denunciation of the Soviet missile tests last week —which he admitted had not breached any treaty—came enly a day after the Reagan Administration's decision to intensify economic sanctions against the Soviet Union by banning sales ef pipeline equipment by European companies producing machinery under licence from U.S.

manufacturers. This, in turn, fellowed a tougher than expected speech by President Reagan on Thursday at the UN special session en disarmament

Since President Reagan's return from Europe, the Administration's line on East-West relations has hardened noticeably. Before the trip, Administration's first priority had been to calm European fears about its strongly anti-Soviet stance.

President Reagan expands ban on provision of oil and gas equipment destined for Siberia pipeline

U.S. sanctions worsen transatlantic tension

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

sien te extend economic sanc- did not accept as valid. tions against the Soviet Union is likely to exacerbate transatlantic tensions over the wisdom of East-West trade, especially because the nature of the decision was unexpected.

The unilateral move will open old European wounds about U.S. attempts te extend its jurisdiction, raising sensitive issues of aovereignty.

Following a meeting of the National Security Council in Washington last Friday, President Reagan expanded a ban on the provision of oil and gas equipment destined for the £4.5bn Siberia-West Europe gas pipeline to include equipment manufactured by the foreign subsidiaries of U.S. groups and those made eutside the U.S. under licence to American eompanies.

At the end of last year the U.S. placed a limited embargo on the sale of U.S. goods to the Soviet Union following the impesition of martial law in Poland. Geods made in the U.S. for the pipeline were included, reflecting continuing U.S. concern about what was seen in Washington as growing Euro-

The EEC's reaction was angry. Contracts for the sale of pipeline equipment had been signed already. The effects of the embargo would cut into well-established trading links. Further, there was some deubt about bew much liberalisation in Poland would be belped by waging economic warfare on the

The U.S. case, in European eyes, lacked conviction because Washington was net prepared to balt grain shipments to the Soviet Union. It therefore appeared to be asking Europe te bear the brunt ef a policy

PRESIDENT REAGAN'S deci- which European governments By March, the U.S. seemed to reconsider the issue. American officials privately conceded that, in future, the emphasis ef policy would be shifted from

goods to financial sanctions. Attempts to win European acceptance fer a system ef credit quotas ended in the Versailles economic summit conference eatily this month with an agreement that "commercial prodence" would be exercised in offering facilities to the

Soviet Union. The impression was gaining ground that the U.S. would relax its oil and gas equipment embargo te allow existing pipeline contracts te move ahead. Hence the lobbying in Washington last week by General Electric and Caterpillar, twe U.S. groups involved on the pipeline with a long record of Soviet trading.

Indeed, Mr Shintaro Abe, the Japanese Minister ef Inter-national Trade and Industry, was quoted as expecting a relaxation in Washington at least as far as U.S. parts for a pipeline running East towards Japan from Siberia were con-

Certainly, the sudden stiffening of U.S. policy may delay further the Siberia-West Europe pipeline which, on the original building schedule, should have come on stream in 1984,* but bad aeemed likely, because of the first sanctions announcement, to be beld up for at least a year.

The basic technology fer the turbines and compressor stations, which push the gas along the line, is from the U.S. The European turbine manufactur--AEG-Kanis of West Germany, John Brown Engineering of Scotland and Nuovo Pignene of Italy-are pliers, like Walter Kidde of

ARG - TELEFUNKEN, troubled West German group involved in turbine deliveries for the Urengoy pipeline, has reacted bifterly te the U.S. Administration's new restrictions en the provision of U.S. technology for the project.
James Buchan writes from

In a statement released on Saturday night, the group said the extension of restrictions would bave serious consequences for the group. and could endanger tho ef jebs at its AEG-Kauis suppliers.

AEG-Kanis won an erder, estimated to be werth about DM 650m (£151.8m), fer 47 turbines last autumn. The statement complained that the order was won long before the administration imposed its ban ou U.S.-made components at the end of

on rotor sets for the turbines made by General Electric of the U.S. now covers such Alsthom Atlantique ef France. It has, saya the statement, to all intents brought to AEG-Telefunken's efforts to forge a West European solution" to the pipeline problem.

manufacturing associates GE of the U.S.

Also, the compressor manu-

many, Creusot Loire of France and Dresser France—use U.S.

technelogly from Cooper or

Some smaller equipment sup-

Count Otto Lambsdorff, the West German Economics in his criticism of the decision as based on a dublous premise and as setting a serious

Speaking in Baghdad, he said the administration's action raised questions about take seriously the basic principles of trade laid down at Versailles and about the very future of the "international division of labour."

Count Lambsdorff has always maintained that GE's near-monopoly in the manu facture of rotors for turbines was permitted by a "con-scious" decision of its competitors as the market was so

• Tass, the official Soviet newsagency, caffed President Reagan's extension of sanctions "an attempt to turn routine trade into an instru-ment of political blackmail," AP reported from Moscow.

It was, the agency said, a fresh move towards building up tension and "upsetting mutually beneficial business. and economic East-West cooperation." At the same time the decision would aggravate differences between the U.S. and West European countries,

London which are believed to have a centract for fire protection systems, are direct subsidiaries of U.S. groups.

Although the Reagan Administration can stop the move-ment of goods and technology from the U.S. to such groups, ercise control over them is mere problematic. Theoretic-

ally, the U.S. Government could exact penalties from the U.S. units of European companies

transgressing the latest same

sidiaries of American groups. to the jurisdiction of the U.S.

dictated by its place of incor-poration. Thus, except where

The issue has been a bone of The issue has been a bone of contention for long. Over the last year, British and U.S. officials have sought an agreed definition for the nationality of a company in order to prevent dispute. It is on the agenda for talks which Mr Peter Rees, that Minister for Trade, will hold in

The atmosphere for progress towards such agreement had seemed better this year than at any time ever a decade. The U.S. had shown its sensitivity by refraining from seeking to apply its Libya sanctions policy

meve seems likely to bring to the foreground a simmering issue, just at the time when trade friction between the U.S. and the EEC has reached a new tevel of acerbity over European

Most Argentine prisoners likely Steel union in talks on to be repatriated within days new contract

NEARLY Argentine prisoners taken on into fleets of army lorries and the Falkland Islands are buses and taken to an unknown expected back on the mainland destination. Argentine officially today, as the repatriation dom had clearly judged it best operation continues, at full to keep the bumillation of the swing. Britain says it will hold occasion out of the limelight. about 1,000 of the professional seldiers among the POWs until Argentina agrees to a complete cessatien of hostilities.

on board, was expected in Argentine waters sometime to- hulk of the army on the Falkday, after being temporarily lands—will in time have a let delayed at Port Stanley by bad to say about the conduct of the weather. Two Argentine war. hospital ships complete the flotilla taking the defeated army and anger among the returning When the cruise liner Can-berra seiled into the small

Patagomian port of Puerto in Buenos Aires sprung in part Madryn over the weekend from the frustration felt by a carrying the first batch of 4,200 people duped for weeks by prisoners, army troops took government propaganda.
great pains to seal eff the surrounding streets from the rent chaos in the country's
bundreds of people waiting to power structure, over the week-

After a brief and low-key

7,000 of 11,845 welcome, they were bundled the war which echeed what For the military authorities, the return of prisoners of war

is proving delicate in a number of ways: no one here has any doubt that the "Malvinas The Nerth Sea ferry Norland, doubt that the "Malvinas with more than 1,200 prisoners generation."—the 18 te 20-yearold conscripts who formed the Some of the disilusionment

soldiers is only now beginning to trickle through to the Argentine public. Last Tuesday's riots

end Argentine newspapers published conscripts' accounts of

had already been learned by the British. The independent news agency DVE for instance reported that Argentine troops and inadequate logistic sup-

The present phase of the repatriation programme is expected to be hrought te a close the Canherra makes its second run hack from Port Stanley to Puerto Madryn. British efficials have indicated

that they are prepared to hring the remainder back to Britain, if necessary, as a bargaining counter to use against the Argentine junta, te force a commitment to end bostilities.

In Londen, the Ministry of Defence has denied claims published in the Sunday Times that seven members ef the SAS are being secretly held as prisoners in Argentina. U.S. intelligence efficials were reperted as saying that they had been beld fer a month after being captured in the Argentine part of Tierra del Fuege.

te any suggestion of changes in

Baxter cleared in IBM case

By Our New York Staff THE U.S. Justice Department

has ruled that there was no conflict of interest in the de-cision earlier this year by Mr William Baxter, the Assistant Attorney General, to drop a 13year old anti-trust case against

trict judge to abandon his in-quiries into the issue. The question of a possible

conflict of interest arose be-cause Mr Baxter had done con-sulting work for IBM in a previous anti-trust case, and had not disclosed the fact on his appointment last year to the Jus-tice Department.

prosecutors

ANKARA — Military authorities bave removed from their, posts 42 senler martial law prosecuters and judges, including the colonal who led two cases against Mr Bulent Ecevit, the former Prime Minister, the official Gazette announced.

Calanel Nuvettie Server about

was attached to the Ankara Martial Law Command as chief prosecutor at two separate cases against Mr Ecevit and for the mass trial of the exreme right-

secuter, whe conducted the case at the trial of the now banned left-wing Disk Lade Union Confederation and at several other mas trials of left-wing groups, was also removed. There was ne official explena-

But this would enflame the dispute which will surely start over the U.S. decision to seek control over the foreign sub-

Under U.S. law foreign sub-

sidiaries of American groups are defined as "persons subject This assertion is made even when the sharehelding of U.S. interests is as low as 25 per In Europe, this claim legally

to control subsidiaries is con tested. It is generally held that the nationality of a company is there is an identity of policy between the U.S. and a Euro-pean power, attempts by Washington to exert jurisdiction over a company registered in Europe is seen as an attack on

Washington later this mouth.

But President Reagan's latest

EEC states stick to line on veto

FHE RIGHT of individual EEC governments to block majorify decisions on vital issues appeared to be alive and well governments again decided that veto ought to be over ridden, as-they did-last month in the majority vote against Britain on

This paradoxical conclusion looked likely to emerge from a discussion by EEC Foreign un price vote di

Mr Francis Pym. The majerity vote had shaken Britain's confidence in fts ability to protect important national interests, said the foreign secretary, who urged a

clear statement that the Luxeni boung compromise of 1966 still MMC RE underpinned EEC decisionmaking. But last night's discussions introved the original political mirrored the original political settlement of 1966 in that Ministers agreed to disagree. The 1968 compromise was based on the document in which

France made it clear that EEC agreements should be unantmous once a member state said that an important national in-terest was at stake. The other five Community members at the time said that they would do their best to establish manimity on an issue "within a reason." able time." Last night, the UK, Denmark

Greece, France and Ireland all argued the right to veto a majerity vote should still stand, although Ireland wanted the vete used sparingly and France without any "unfair" linkage of the kind Britain was alleged to have made last month hetween farm prices and a settlement of IIIIan

The other five Governments, however, argued last night that majority decision-making in line with the Treaty of Rome should be the norm—although Italy is thought te have asserted that the Luxembourg compro-mise was still intact despite the farm price vote.

British officials superred satisfied with the talks and concluded that "the Laxenbourg compromise will apply in the future as it did in the past in the light of the discussions today."

today.

But they also acknowledged that there could be no certainty that a majority of governments will not in future conclude that a national veto is being ma-applied and over-idden as they did on May 18.

This is partly because the This is partly because the farm price vote was a psychological breakthrough for the Community which will encourage some member states, particularly the Benefur, to seek a greater use of majority voting. In addition governments may well be more scruppilous in the future about pleading important president. pleading important national interests in order to block an

a year. Sr Salgueiro also declared a Trudeau rejects controls on wages and prices

Lebanese man argues with Israeli soldier as bundreds try te head back to South Lebanon

Unions in Lisbon protest

PORTUGAL'S trade unlens freeze en all wages and prices

have reacted angrily te hefty until the end of July, promis-increases in energy prices and ing particularly strict checks on a wage freeze that fellewed last the prices of essential goeds. He

week's 9.4 per cent devaluation also called for intensive energy

over tough economies

MR PIERRE TRUDEAU, the Prime Minister, has contributed to the uncertainty about the cussions about ways to deal with Canadian Government's future the troubled economy. Mr economic policies by rejecting Adam MacEachen, Finance hoth mandatory controls on Minister, has premised a statewages and prices and the harsh ment en the economy monetary approach pursued by Mrs Margaret Thatcher and President Ronald Reagan.

ef the escude.

The communist - dominated CGPT union conferation has threatened "widespread labour

agitatien" early next month. In February and May, it called general strikes, but they received enly partial support. The non-communist unions are

also protesting.
At the weekeed, Sr Jeao Sal-

gueiro, Foreign Minister, announced across the board increases in the prices of all

oil derivitives with petrol rising te Es62; a litre (£1.72 a gallon).

a 7 per cent increase. Portugal imports about 8m tonnes of oil

Alberta, that the Canadian economic problems.

federal and provincial governLast week the valee of the federal and provincial governments must do something to reduce the country's expectations and rising incomes

fuelling inflation.
The Prime Minister's remarks came after a week in centage point.

BY RICHARD MACKIE IN TORONTO

saving efforts and said that the

Government weuld offer new incentives to energy saving pro-

Pertugal's wage earners are

among the lowest paid in Europe, averaging for semi-skilled industrial workers about

Ec15,000 a month. But their energy and food bills rival

European standards. The unions

have been clamouring for wage

increases that would re-establish

their buying power lost in last year's 25 per cent inflation.

has imposed strict ceilings this

The Balsemao Government

Canadian businessmen and economists hope the statement will indicate how the Govern-However, he told a gathering ment plans to deal with the of Western Liberals in Banff, apparently worsening national

Canadian dollar declined to 77,37 cents (U.S.), a fall of almost 2 cents. This occurred despite a rise of hasic interest rates by three-quarters of a perAfghan rebels inflict heavy losses Soviet and Afghan troops and

British and Argentine medical staff belp some of the more seriously wounded prisoners off the Canberra when she arrived at Puerte Madryn ever the weekend. They were met by grimfaced Argentine officers who seemed close to tears. The prisoners, many of them teenagers, disembarked to a subdued welcome marked by a lack of ceremony. The area appeared to be totally sealed off to the public and no families could be seen

rugged Panjsher Valley north ef Kabul have inflicted heavy casualties on attacking Soviet and Afghan Government troepa and seized large quantities of arms from them, according to a French medical team that arrived in Pakistan from the

area several days ago. The feur French dectors and nurse said yesterday they had been trapped in heavy fighting in the valley, where they bad been working fer several months.

scene of several offensives

The group, four women and seized large quantities of arms. a man, belong te a Paris-based. humanitarian organisation, Aide Medicale Internationale, They arrived in Peshawar,

capital of Pakistan's north-west frontier province, on Saturday after about two weeks' trekking from Panjsber to the Pakistan border and five days stop at the Pakistani border town of Parachinar.

Dr Laurence Lemonier said the rebels were successfully resisting Soviet and Afghan

against anti-Government rebels high, she said.

and too since mid-May which have produced claims of success by both inflicted heavy casualties on Reuter

offensive, she said the Russians landed commandos by heli-copter in the centre of the valley and on mountainsides before making a tank-supported She said the rebels shet down several helicopters and teld her they had killed 2,300 Soviet and Afghan troops after 18 days of

Civilian casualties were low

The valley has been the troops when the group left the because the peeple left the scene of several offensives area. Their morale was very valley soon after the offensive and took shelter in mountains,

LEADERS of the United Steel workers of America are to held talks with major steel coin-panies that could lead to a renegotiation of the union's cur-rent labour contract. This is net doe to expire until August. 1983, but the steel companies have been pressing the union farm prices. to agree to changes in view of

the serious recession in the U.S. steel industry. At a meeting on Friday, union leaders agreed to hold Ministers in Luxembourg which discussions "fer the purpose of was launched "to seek clarificate exploring possible solutions to tion" following last months

and the industry,"
The wording appears to have heen kept deliberately vague because of the strong oppositien among many steel worker's

the labour contract.

The level of employment in steel making has fallen te lts lowest point since 1933. Out of aboet 400,000 workers in the industry, one third has been laid eff. The pressure fer chances in the labour contract follows precedents set by the motor manufacturers, sirlines, transport and censtruction Industries.

As a result, a Federal Ap-

peals Court has ordered a dis-

Turkey drops ANKARA -- Military authori-

. Colonel Nurettin Soyer, whe Describing the start of the

wing Nationalist Movement Party, is to be replaced by Colonel Zeki Egin. Colonel Suleyman Takkeci, the Istanbul chief military pro-

tion for the reshuffle. Reuter

agraement. FINANCIAL TIMES, published duity except Sundays and holidays. U.S. subscription rates \$365,00 per summ. Second Cress postage paid at New York N.Y., and \$1 additional metting contrast.

Our Foreign Staff examines the impact of the recent U.S. subsidies ruling against Europe's steel industry, and the adjustments facing the EEC

a blow to Cockerill recovery

June 21 1982

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COMPOSED .

THE BELGIAN steel industry, which relied last year on the U.S. export market for 7.8 per cent of its total sales, sees the U.S. Commerce Department moves as a serious source of troubla. For Substitution of a content of a Cockerill-Sambre, the spraw-ling state-owned steelmaker once described as " a coop for lame ducks," the likely imposition by the U.S. of preliminary 20-21 per cent countervailing duties could

-7 push the group from slide into

with losses that in 1981 reached nover BFr 17bn (£209m) and are, this year, beaded on comparatively optimistic assump-tions for BFr 12bn, Cockerili-Sambre says it will find the loss of its U.S. markets a heavy blow. Last year a U.S. ;sales of almost 360,000 tonnes A order to be h represented a vital part of its i.5.5m tonnes output, while in certain key products the group's average 7.1 per cent dependence on the U.S. rises dependence of the products a fifth of output is earmarked for the U.S.

A dest | So gravely threatened by the J.S. measures as Cockerill-Samure. which relies on the U.S. Sambre. Forges de Clabecq. market for an extraordinary dien Research 26.9 per cent of its sales of steel plate, bas been hit only FOUND 2 sing 1 by a comparatively low 5.8 bergen e Yet there are fears that the regerd of drawn out uncertainties sur-TO THE LEGISTOURNING the U.S. procedures in Us ... recould affect producers such as

U.S. move Hard thinking for steel makers

BY PAUL CHEESERIGHT IN LONDON AND GILES MERRITT IN BRUSS

THE AMOUNT of steel im- mainly on UK, Belgian, French does during the building up to fears that the Community's re-Since then, U.S. producers have quantify the subsidies. waged a vigorous, if spasmodic. campaign against both European and Japanese manufacturers active in selling into the U.S.

The arguments have been broadly the same all along that many foreign exporters were guilty of dumping steel at low prices and that they were oftan beneficiaries of state subaldies—in effect, they were com-peting unfairly with U.S. industry, which is all in private bands.

What is new about the latest action against EEC and several other foreign producers — the preliminary decision by the U.S. Commerce Department to could damage attempts to annual steel sales in the U.S. will severely test impose countervailing duties liberalise trade, coming as it of some 6m tonnes. Brussels makers solidarity.

ported into the U.S. first passed and Italian producers—bas the November Gatt ministerial cently renewed steel regime the 10 per cent level in 1965, been the attempt to formally

> This stems from a decision to unilaterally interpret the new subsidies code embodied within the General Agreement on Tariffs and Trade.

> Both Britain and the EEC have separately protested to the tion currently going on was part of a vital programme to overhaul the European steel industry and make it more selfsustaining and competitive. It is argued that the Commerce Department move contradicts U.S. Government policy, which has been to back the Community's rationalisation pro-

gramme.

meeting But despite its protests the

EEC'a free trade credentials are far from impeccable. The European Commission is currently in the throes of trying to negotiate a series of restrictive textile import deals with the 28 mainly Third World signatories of the Gatt-backed Multifibre Arrangement (MFA). It is increasingly beset by protectionist pressures from member states in agriculture as much as in the industrial sector.

of the U.S. preliminary counter-vailing duties on the EEC's internal steel market that is the most immediate concern. U.S. officials stress that the new duties are liable to hit only
It is also feared the move 1.7m tonnes or less of the EEC's

governing prices and produc-tion could collapse if Belgian. British, French and Italian pro-ducers attempted to unload their blocked U.S. shipments inside the EEC.

The first attempt to tackle the issue is to be made later this week when the 12 major steelmakers gronped in the Eurofer steel association meet 'to examine emergency proposals.

Eurofer will consider a bur den sharing idea under which those EEC steelmakers un-But it is the potential impact affected by the U.S. duties would "swap" their non-U.S. export contracts against the U.S. market arrangement until recently enjoyed by those com-panies whose sales there are now effectively blocked.

. It is an ingenious idea that annual steel sales in the U.S. will severely test EEC steel-

fears EEC pressure on own market By Rupert Cornwell in Rome

Italsider

THE ITALIAN steel indus try is werried above all by the indirect effects of the preliminary move by the U.S. Government to impose countervailing daties on steel imports from a number of

The Washington authorities have singled out, among Italian producers, Italsider, the troubled subsidiary of Finsider, the steel holding company, in turn controlled the public sector conglomerate IRL Italsider will be Hable for countervailing duties of 18 per cent, equivalent to the level of subsidies the Commerce Department estimates the company receives from the Italian Government

In fact, Italsider points out, the quantities of hot and cold rolled strip and plate covered by the measure are very small. The company is fearful of the possible side effects caused by the action taken against French and Belgian producers, whose deliveries to the U.S., it says, are much

larger. Italsider is worried that its Community rivals may try to unload soma of the steel otherwise destined for the U.S. onto the Italian market. Italsider, much of whose activity has been hived off into a new subsidiary Nuova Italsider, is currently engaged in a drive to restore its fortunes, after 1981's record loss of LI,698bn (£730m).

However, one of its hig-gest problems has been the high level of foreign imports, equivalent to around 40 per cent of total 1981 national ontput of 25.8m tonnes.

"IN 6 MONTHS

TYCOMPANYFLEW

WORLD...

ISITED 21 COUNTRIES...

SPENTA FORTUNE ON

TRAVEL BILLS ALONE AND

HADN'T MADE A PENNY"

France to slash its steel exports

THE FRENCH ateel industry. dominated by wo nationalised companies, Usinor and Sacilor, as expressed indignation to the U.S. because of action on steel imports.

According to the U.S. Commerce Department, the two French producers sell some of the most heavily subsidised steel in the U.S. The Depart-ment's study said that Sacilor was subsidised at a little over 30 per cent on its U.S. selling price. and Usinor at a little more than 20 per cent.

In a strongly-worded riposte to these accusations, the French manufacturers attack the countervailing duties imposed by the Americans as "iniquitous." U.S. action was inspired. the statement adds, by a form of protectionism that "could have extremely damaging consequences for everyone," and which was particularly inappro-priate coming from a country that was running an overall trade surplus of FFr 25bn (£2,1bn) with France.

The French companies are not now proposing any inde-pendent response to the U.S. moves. They say the U.S. action is not justified under Gatt regulations, and they will go along with any co-ordinated European action undertaken by Eurofer, the European steel producers' association, within the framework of Gatt.

In the meantime, exports to the U.S. will be cut to a minimum because of the bigb penalties to be imposed by the Americans. These cuts will merely accelerate voluntary reductions that have already bitten deeply into French sales in the U.S., running so far this year at only about 20,000 tonnes month against 80,000 to 100,000 a month last year.

are going to be hit bard by the U.S. action. The American market accounts for almost 5 per cent of France's current steel production, and for many years has been taking between 1m and 1.2m tonnes. Only West Germany and Italy, accounting for about 1.5m tonnes each, buy more French steel.

Last year there was a surge in French exports to the U.S., but this was only because 1980 was depressed, because of the U.S. Steel threat of anti-dumplng action. French sales for 1981 amounted to 1,01m tonnes, a little less than in 1979.

Maanwhile, the French industry is pushing abead with further Government-aided rationalisation plans to add to the reorganisation announced in 1978. According to Government plans published last week. more than FFr 20bn is to be pumped into Uainor and Sacilor over the next four years in a variety of projects aimed at cleaning up their balance sheets, covering losses, and modernising plant.

Ian Roger adds: British Steel Corporation was not surprised to be singled out as the most heavily subsidised European steel producer.

Two years ago. Mr Ian MacGregor, the chairman, sald that the corporation was bankrupt and since then the British Government has agreed to pump in £880m in aid and to write off £3.5bn in capital and

But BSC officials are bitter that they have been made to look the worst offenders in last year's massive attack on the U.S. market by world steelmakers.

In fact, BSC's 0.4m tonnes of steel delivered to the U.S. last year was well down on the There is no doubt the French traditional level of sbipments.

W. Germany shares U.S. view on subsidies

BY JAMES BUCHAN IN BONN

FOR schadenfreude a German and an Hoesch, are considered to be untranslateable word. For the subsidy-free and are not hable producers have complained long ruling on the need for a and primly about the state countervalling duty. Washingsubsidies raining down on their ton's estimate of the national European competitors and amounting to some DM-80bn since the start of the steel crisis in 1975, according to the producers' federation in Dusseldorf. In contrast, West German producers have received sums unlikely to be much in excess of DM 2-3bn. These have been described as "good" subsidies geared largely to restructuring

The U.S. Commerce Depart-Clabecq as much as greatly ment has now provided support general more subsidised groups like for the German view in an countervailing duties may not cockerill-Sambre.

Cockerill-Sambre.

nothing is largest concerns, Thyssen and past aeven years, West German to the Department of Commerce countervailing duty. Washingaverage of subsidy, at 1.2 per cent of fob cost, is the lowest in the Community after the Netherlands.

"The Commerce Departdecision ment'a . really underlines the different subsidy practice in the different Community countries," says the producer's federation, which is headed by Thyssen. come out of it pretty well," said one expert, and there is a general feeling that the

sharply.

assessed for government sub- but was continuing deliveries. sidies, only Roechling Burbach Salzgitter lost DM 388m last and Salzgitter were estimated to year. be receiving subsidies over I ing Bnrbach, which is the centre try, was assessed at 8.6 per cent but has negligible exports to

steel exports to the U.S., which aid to compensate for its posiamounted to 213,000 tonnes tion close to the East German (excluding pipe) in the first border, is a more troubling case quarter of this year. Meanwhile, because though it was assessed the competitiveness of West at only 3.6 per cent, it depends German steel in the U.S. on the U.S. market for 5-10 per market looks set to improve cent of its sales of rolled steel. or about 3.3m tonnes last year, Of the six West German pro- The concern said last week it ducers, excluding the two giants, was uncertain of the outcome

In the longer term, there is concern among the producers and in Bonn that a widening piece of the Bonn effort to re- trade conflict could only have structure the Saarland indus- severe effects in West Germany, which is heavily dependent on export trade, and which has just the U.S. seen its currency valued up-The state-owned Salzgitter wards within the European concern, which receives regional Monetary System.

UK supply vessels reassured of market access to Norway

BY FAY GJESTER IN OSLO

in an harriers out the Norwegian convinced him the Norwegians fications. On this latter question market. Mr Jain Sproat, practised no protectionism then, they had agreed it would britain's Shiping Minister, told: "Both our countries have a be a good idea to let a joint Leggie a press conference in Oslo: keen interest in advocating free working group

South Leggie Tast week Mr Sproat and open trading, because we The European Parliament expressed concern about the fear the growing trend towards Friday endorsed proposals for "grotesque imbalance" in the protectionism in shipping," a European Coastal Charter number of offshore vessels, Sproat declared. number of offshore vessels, Working each country's exploration areas. He promised to press for more UK ships to be allowed into Norway's sector of the North Sea. But at a press conference Friday, he took a completely different line after talks with his Norwegian opposite number, Mr Arne

The two Ministers identified two factors which could bias oil companies in favour of hiring Norwegian supply ships for work in Norwegian waters. One was the belief—quite mistaken, according to Mr Skauge—that by "hiring Norwegian" the companies might win favour with Norway's authorities. The other was the possible environment.

UK SUPPLY boat operators Skauge—who had been "very existence of differences in nead fear no, protectionist open and forthcoming"—had technical standards for speci-

shipping and poliution on the coastline of Western Europe, AP reports from Strasbourg. The charter, drawn up by the Conference of Peripheral Maritime Regions, will co-ordinate pollution research being done in various centres and launch pilot schemes financed in part by the EEC for protecting the coastal

SHIPPING REPORT

TOTAL Sproat said that Mr

Slight rise in tanker activity

BY ANDREW FISHER, SHIPPING CORRESPONDENT

MORE BUSINESS was done :n the tanker market last week, but 26, reportedly with options for rates did not show any marked unturn since there is still a surlus of vessels. In dry cargo markets, the trend was quite clearly downwards from levels 210,000 tonners, each with a part which were already depressed: E. A. Gibson said that with to go through the Suez Canal postilities in the Gulf lessening received Worldscale 52. On the somewhat, the Japanese Seamore medium-sized units, a men's Union was allowing its 125,000 tonner carrying 100,000

off Iran. Several VLCCs were fixed

BY RICHARD COWPER IN JAKARTA

tons was secured at Worldscale ing to Galbraith Wrightson. Preeither East or West, with another of 205,000 tons to the East at Worldscale 22.

Gibson also said that two cargo of 125,000 tons, chartered more medium-sized units, a members to go to Kharg Island, tons to Italy was paid World-

scale 50. The West African market has from here last week, mostly with come back into the running as a cargoes. One of 220,000 major chartering area, accord-further.

German group in \$98m Indonesian deal

viously, ships which have tended to specialise in cargoes from there have had to switch to the Mediterranean and European markets, thus adding to the tonnage surplus there.

Dry Cargo markets simply became more dismal last week. Denholm Coates commented "the storm signals must have been hoisted in every dry cargo owner's boardroom by the falls of the last few weeks." Grain rates from the U.S. to Europe and Japan dropped even

pleted in 1985. The tin plate

mill site is 110 km west of

"That is until Wednesday, May 12 when I was able to announce that sales contracts of \$37,000,000 had been signed for agricultural chemicals in Spain and Brazil.

Within the next 6 months further contracts will be signed in France and other parts of Europe and Central/South America, bringing the total value of sales to \$70,000,000 all negotiated in a staggeringly short 6 months from December of last year.

The brand with which we have had so much success is TAL Pro-long. It is manufactured by TAL Chemicals Company here in the United Kingdom and it prolongs the life of certain types of fruit. TAL Pro-long, produced by a highly technical chemical process, is made from sucrose esters, cellulose and fatty acids and is an approved food additive.

F.F.I. was formed in March 1980 to market fruit



treatment systems - "Pro-life Systems" as they became known and TAL Pro-long was one of those systems originally developed during the 1970's. There now seems little doubt that our efforts to conquer new markets for TAL Chemicals Company will lead to substantial overseas earnings and to the creation of many new jobs, both for them and ourselves in the UK.

FRESH FOODS (INTERCONTINENTAL) LTD., 64 QUEENS ROAD, READING, BERKSHIRE RG1 4BP ENGLAND, TEL: (0734) 582316, TELEX: 849439;

The team responsible for these achievements forms part of a new export sales organisation which specialises in food additives and agrochemicals. Our recent success proves beyond doubt that we can assimilate even the most complicated technical brief and sell even in the most difficult markets. In short, it proves our ability to bridge the gap between technology and the marketplace.

If you would like to explore the possibility of our working together, please telephone me or Malcolm Thurlbeck on (0734) 582316 now, we can even afford for you to reverse the charges..."



BRIDGING THE GAP BETWEEN TECHNOLOGY&THE MARKET PLACE

supply plant equipment, some 80 per cent of which is expected design, engineer and construct a \$98m tin plate mill for Indonesia's Krakatau steel comto come from Japan. plex at Cilegon in West Java. the Indonesian Government. Construction of the 120,000 The West German company tonne plant is expected to start later this year and is to be comwon the contract against strong competition from Davy McKee

of Great Britain and Nippon

Steel of Japan. While Mannes-

man is the main contractor

estimated \$1.3bn expansion of

MANNESMAN DEMAG of West pected to be signed shortly. The the Japanese manufacturing Germany is set to win a contract new plant is just one part of an company of Hitachi Zosen will

The engineering concern bas to the awarded a letter of intent a formal contract is ex-

Cermany is set to win a contract

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Jakarta.

World Economic Indicators

TRADE STATISTICS

Specialists sought by co-operative agency

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

FOUR EXECUTIVES with experience of marketing and profit and loss account so they accountancy are heing aought on get a rapid education in the secondment from large companies by the Government's Co- cannot get with a traditional operative Development Agency.

Mr George Jones, the agency's new director, himself on secondment from Unilever, has written to 12 large companies asking for help. He believes worker cooperatives lack marketing and accountancy skills in particular and that his agency should help plug the gap.

The number of co-ops in the UK has increased rapidly in the past few years. There are now about 500 compared with more than 300 in 1980. Many have heen founded by people who have been made redundant and most are very small, averaging eight or nine employees.

Mr Jones toured 30 co-ops and found them especially effective in service and highly skilled areas where there is a high labour content and a need

for good quality work.
"The quality of goods manufactured is very high," he says.
"A pride of ownership seems to come through as the worker realises that bad goods drive

tions for conventional liner

services from Birkenhead at the

The decision which has the

hacking of Mr David Howell, the

Transport Secretary, came as no

in line with the dock company's

aimed to achieve financial

stability by the end of the year.

Sir John Page, the company's

rationalisation

surprise to the waterfront. It is

BY OUR LIVERPOOL CORRESPONDENT

programme,

Harhour Company is to with- closure to other stevedore com-

draw its cargo-handling opera- panies of Birkenhead docks

Transfer

"People are sitting on top of a realities of business that you workforce. But the problem is that, unlike most traditional small businesses, those setting them up usually have only one production-oriented skill and no knowledge of marketing or other management techniques."

But it is the quality of work

and the personal commitment which impress Mr Jones. He

cites as examples a blonse manufacturer in Wales exporting

goods to Germany, a raincoat

manufacturer in Bradford selling to Aquascutum, a

wooden patters maker in New-

castle producing highly intri-

cate work at a profit and a carpet manufacturer in Dundee producing goods for Sanderson

and for hotels. Several of these

are relatively large husinesses employing 30 people and several

were rescued from husinesses

under conventional private

Mr Jones, 53, started his new

job in March having joined

Unilever 30 years ago as a

clerk. He specialised in corporate planning and marketing

Birkenhead cargo service to end

THE MERSEY Docks and decision would not mean the the port and will now be accom-

where £400,000 has been spent

ing equipment which maintains

the water level in the enclosed

The Pacific Steam Navigation

Company, the main user of the

Victorian dock complex at

Birkenhead for its Sonth for ending its own cargo-American services, is increas- handling operations at Birken-

sector owners.

Mr George Jones

and was a director of BOCM Silcock and chairman of Unitrition, both animal foodstuffs companies. Unilever is subsidising his salary which is well above the Civil Service assistant secretary's level of about £20,000 a year fixed for

At Unilever Mr Jones had experience of employee participation and became interested in expanding the concept. "My philsophy is of a mixed economy with all forms of organisation contributing,

modated in Canada Dock at

The decision will mean the

transfer of 382 dockers and 180

other employees to the Liver-pool side of the river, while

another 125 dock company

employees will continue to work at Birkenhead.

Mr Howell has indicated he

accepts that the dock company

has a strong commercial case

handling operations at Birken-

believe that the more democracy chaired hy Mr Ralph Woolf you can get into a business, the managing director of Scott hetter it will he because people Bader, a Northamptonshire do have something to contri- chemical company which has bute. But I'm not yet sure how been owned hy its employees it can work on a large scale for for about 20 years. The board co-operatives in this country, includes Mr George Wright though it has been done in secretary of the Wales TUC. Italy and Spain. Mr Jones's appointment is

Lager plant for Toxteth

had

the Merseyside work on the lager plant to meet

demand.

part of a move to turn the along the lines of the agency into an effective organisation following a hoard shake-up last year. The Government then gave it a three-year lease of life with a £200,000-ayear budget and told it become a more business-like organisa-

The agency was set up in 1979 with all-party political support by the last Labour Government, following years of debate within the co-operative wing of the Labour Movement about the need for some sort of promo-

It has concentrated on worker co-operatives but has had an extremely limited impact. Sir Keith Joseph, then Industry Secretary, decided last summer

brewer, is to invest more than

£1.7m on a new lager plant on

the company's main site in

Toxteth, Liverpool, helped by

funds from the Liverpool Inner

The plant will he housed in

conversion of the old hrew-

bouse. Higsons has spent £4.1m

n a new hrewhouse which will

be formally opened on Wednes-

day although it is already in

planned originally to pause

projects hnt decided to start

Higsons

City Partnership.

production.

mixing private and State owner- ment to prove itself. ship and now co-operatives. I A new board was appointed who is helping to found a co-op development centre in Wales Mondragon community of co-ops

in the Basque area of Spain. The agency has a staff of 12 secondee, Mr Ian Brierley, an economist from the Co-operative Bank who has considerable practical experience. Mr Jones's aim is to persuade

the occasionally warring fac-tions in the Co-op movement to work together to improve the viability of new enterprises. He will stress that viability rather than lack of finance is the primary problem. "In prac-tice you can't solve things by just shoving money at them

You need to get the right skills to create the products and mar-kets which will then attract the that it should be given until finance. Then you're on your roughly the end of this Partia- way to viability."

April 2 but has been affected

by the depressed state of the

suggests,

Attitude Surveys says in a re-

port published today. Production

fell 7.5 per cent compared with

the same three months in 1981

but the volume drunk was 11.5

Merseyside economy.

parcels 'threat to P.O. jobs'

Private

By David Goodhart, Labour Staff

THOMPSON National Trans port, which launches today a private parcel delivery service, called Homefast, would pose a hig threat to Royal Mail parcels, if it were to reach its target of Im parcels a week by next year, according to a confidential Post Office report on the company. Royal Mail traffic could

decline by up to 35 per cent, the report says. The Post Office now delivers about 175m parcels a year, and has more than 7,000 major contract customers on its books. But Post Office researchers helieve that Homefast, which is initially aimed at the large mail-order business, could threaten the public body's whole parcel contract business.

A joint working party has heen set up by the Post Office and the Union of Communication Workers to counter the threat from Thomason, a company with an annual furnover of about £600m and based in Australia.

The union fears that most of the 17,000 jobs in the Post Office parcels service could be in jeopardy, and is backing Post Office attempts to improve services and hang on to customers. After a loss of £2.8m in 1980-81, the Post Office parcels service made a £7m profit in 1981-82

Higsons made a pre-tax profit of £426,000 in the half year to Mr John Carney, general manager of Homefast, described the Post Office calculations as hysterical over-reaction. "We The collapse in beer consumption between January and are aiming for a traffic of about March last year and the same 10m parcels in the first year of three months of 1982 was prob-ably higger than the fall in pro-

trading, which is a tiny fraction of the business," he said. Thompson National Transport has launched a successful UK overnight service (TNT Over-nite) and a 48-hour, door-to-door service to the U.S. (TNT

Suparush) Homefast will guarantee a five-day delivery service— longer than the claimed average of three days for Royal Mailbut plans to make household deliveries in the evenings, when many people are more likely to he at home.

Data protection report criticised By Kenneth Göbding

STRONG criticism of the Government's White Paper on data protection is contained in a paper from the Institute of Daa Processing Management (IDPM) released at the week-

to reject hte establishment of an independent Data Protection Authorly hecause, "since he Government is the largest

It was also wrong not to include manual data systems in the proposed legislation, says the IDPM.

Crime risk in small building societies. says Alfreton report

building societies, according to . The immediate reasons for the findings of a committee of the inquiry, undertaken at the inquiry submitted to the Insti- request of the chartered Societies with about eight disciplinary scheme executive staff or fewer will have "the was the case of Alfreton Build greatest difficulty" In maintain- ing Society. ing adequate systems of control and inspection over their own affairs, it says. This will in practice entail situations where there is little to hinder the

Mr David Hobson, who chaired the committee and is senior partner of the accounting firm Coopers and Lybrand, said yesterday that this was a conclusion "of considerable importance."

His committee had consulted in question with the Chief Registrar of The report Friendly Societies who has aspects of it supervision of the sector, and given him a draft of its comments on the problem of small

SERIOUS RISKS of fraud and Association, which the com-embezzlement confront the mittee saw as having no standpublic in dealings with small ing in the context of the inquiry tute of Chartered Accountants. accountancy profession's joint was the case of Alfreton Build

The Alfreton was a tim society, now merged into the Britannia Building Society. Between 1975 and 1980 it was defrauded of £191,072 by its own secretary, convicted November of theft, f progress of a dishonest chief executive." accounting and forgery.

The inquiry was set up to look into the conduct of three accountants involved in the Alfreion's affairs, two as external auditors and the third as its chairman-throughout the period The report criticised certain aspects of their work for the Alfreton, but in all three cases

findings on their conduct and nce were justified The Registrar expressed no The vulnerability of the objections, said Mr Hobson, and Alfreton to the criminal activioffered no official reaction. The ties of its then secretary

committee had had no contact prompted the committee to with the Building Societies draw a wider lesson.

Pension accounts advice

BY DUNCAN CAMPBELL SMITH

GUIDANCE on a desirable initiative by the accountancy form of published annual profession. accounts for pension schemes is suggested in a discussion paper released today by the Accounting Standards Committee, the internal watchdog of the accountancy profession. Pension schemes are not at

present obliged to prepare formal accounts, let alone publish them. The discussion paper sets out a number of detailed recommendations and is widely expected to stir up further controversy in an area already vexed by long-standing disputes hetween the accounancy and actuarial professions. discussion paper is intended eventually to lead to an exposure draft of a new accounting standard. Meanwhile, a working party under the standards committee is looking into the treatment of pension costs in company accounts. The two developments

. Two points in the discussion paper are expected to draw particular comment from the whether a pension scheme's actuary should be required to provide a simple statement of or whether he should have to give more detailed actuarial information about its general

Second, the paper discusses with a carefully observed halance of views—whether or sensibly be made subject to standardisation. · Comments on the paper are

requested by December 31. Pension Scheme Accounts Discussion Paper, £2,50 post-free from The Publications Department, PO Box 433 Chartered Accountants Hall Moorgate Place, London EC2F together represent an important 2BJ.

Gower plans attacked

BY JOHN MOORE, CITY CORRESPONDENT

MORE CITY opposition has representatives from the merheen voiced against a report chant banks, unit trusts, insur on investor protection, come ance companies, the stock mar missioned by the Department ket clearing hanks, accountance of Trade, which proposed and the law-sweeping reforms in the system. It says that changes discussed

The City capital markets committee, which represents a wide range of interests, has out against proposals which it says are "bound to be disruptive and expensive."

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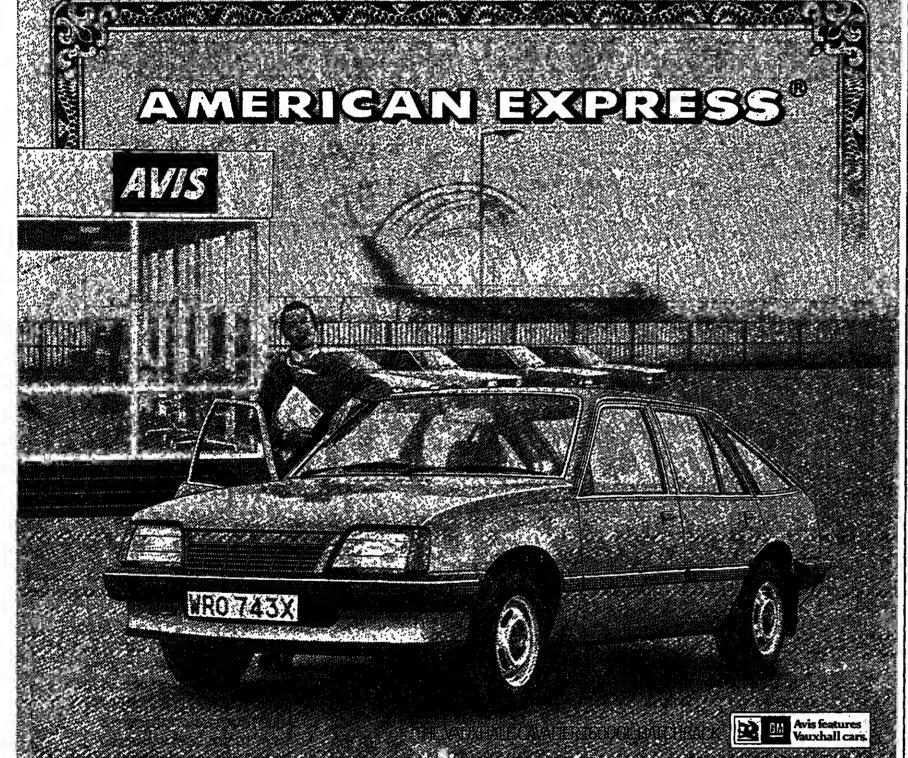
received a return of 88%, after all deductions. In 1979 and 1980, the returns were 115 % and 84% respectively. Last year:

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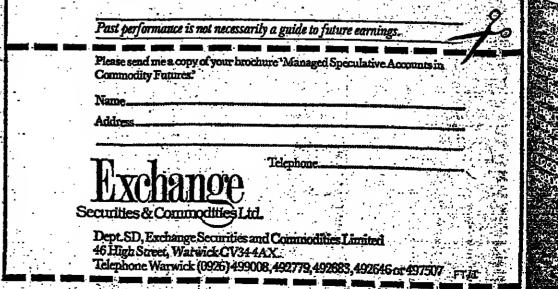
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مكذا ون المحل

TI Raleigh and **OFT** compromise on retail policy

small

expected in a

comment im

al practice of

mode auto-

COMPROMISE io the loog main outlets-over 7,000 small running dispute over whether TI Raleigh Iodustries should be forced to aell all brands of its popular bicycles to cutprico re-tailers has been reached hetween the company a the company and the

The OFT is exepected to annonnce abortly that it has re-ceived undertakings from Raleigh to keep its future trading practices in line with a Moscopolies and Merger's Commission report published last

But the OFT had sought undertakings from the company were aignificantly srtonger than those suggested by the Commission.

The move will bring to an end a series of investigations which 25- have taken nearly two years to complete. They were the first to be made into anti-competitive trading practices under the terms of the Competition Act. 1980, as well as being regarded as an important test case in the issue of a manufacturer's rights to refuse to supply cut-price re-

The company's refusal to supply cut-price stores such as Tesco and Argos with its mainbraod bicycles had first attracted the attention of the bicycles OFT in 1980 wheo the new Competitioo Act was coming ioto

.operation. Raleigh maintained that its of refusal to supply in the hope sales distribution policy was io of achieving a more satisfactory the best interests of both its outcome.

bicycle dealors—as well as its customers, aince these ahops operated an important after-sales service which the cut-price stores did not provide. This was also important in keeping hicycles in road-worthy coods tion, Raleigh maiotained.

But after a lengthy investiga-tion the OFT concluded that Raleigh's policy restricted com-petition. The Monopolies Commission was then asked to decide whether this was or was

not in the public interest. The Commission ruled last December that it regarded Raleigh's distribution policy " as prima facie against the public interest." This was the judgment the OFT had been seek-ing, since it would help it to stop other cases of manufacturers' refusal to supply certaio retailers.

But the Commission seriously weakened its central conclusion by suggesting that Raleigh need oot oecessarily aupply cut-price retailers with bicycles carrying the "Raleigh" brand name although it should supply other Raleigh-made brands such as ' Hercules "

Raleigh, but it is now likely to

turn its attention to other cases

Triumpb."

to have decided to accept these uodertakings rather than to continue wrangling with

Inquiry into Midlands motorway repairs

INQUIRIES into repairs to Midlands motorways since the 1970s "should or could have been carried out in a more effective way" are being made by the Department of Transport.

Much of the Midlands motorway network is on raised sections, and ropairs had to be made many years earlier than expected. Part of the Department's in-

quiry will iovolve the scalant

coatings used to cover 5,900 bearing plinths under tracts worth £460,000. The Department wants to know if West Midlands County Council, which acted as its construction agent,

altered a apecification for the

application of a final protec-tive coating from seven to two The ent would have meant contractors having to use expensive scaffolding for moch less time, thus saving

Recent failures of the coating, causing further repair work, brought the Department's coocern to a head, the department said yesterday.

many thousands of pounds.

Picking winners and making them pay-John Elliott examines the SDP's latest policy

Pouring oil on the wheels of industry

A POLICY in which industrialists would help ministers tial winners that need state financial support was launched at the weekend hy the Social Democratic Party.

The main proposals of this cautionsly interventionist policy are in a discussion document in which the SDP calls for a scheme of choap loans for special industrial projects, and the formation of a new ministerial committee on industry headed by the Prime Minister and advised by a team of industrialists.

Training :

State aid would be provided in key sectors, and the British Technology Group (BTG) would be enlarged. Small businesses would receive special belp.

The National Economic De-

velopment Couocil and its office would be enlarged slightly and givon a more industrial role. Training in companies would be encouraged through a remissable tax system. In industries wbere training boards are abolished, companies spending more than a set amount on training would receive a gov-

ernment rebate, while those speoding less would be taxed. On competition policy, the cous of proof oo monopolies would be reversed, so that compaoies planning a merger

would have to demonstrate the and the City, to lockude com-advantage to the public interest merce in the widest aense. advantage to the public interest of such a move. New methods monitoring, nationalised industries which have a monopoly would also be developed, possibly with the creation of a series of holding companies, standing between the government and the industries.

Each of the holding companies would be in overall charge of running a number of the industries in certain sectors, such as transport and

The policy differs little in many areas from an amalgamation of the Government's approach under Mr Patrick Jankin, Industry Secretary, and the industrial strategy developed in the aecond balf of the last Labour govornment's term of office.

But the Social Democrat leaders say they have an advantage in that they would conscioualy start out with such proposals. "This is a unique policy document because, it won't need a U-turn within two years to make sense of it," said Mr David Sainsbury, finance director of J. Sainshury, and a member of the SDP oational steering committee.

Mr Sainsbury helped draft the proposals under the chairmanship of Mr William Rodgers, one of the SDP's founders. Mr Rodgers said: visage a partnership between

the Government and Industry

"Our aim is to make the industrial regeneration of Britain the central and first task of an Alliance government. We aim to make the mixed economy work— neither of the main parties do

A policy analysis unit of civil servants and traders would back up the Prime Minister's new industrial committee. The unit would be similar to the informa-tion technology unit created last yoar in the Cabinet Office.

An advisory panel for industrial policy is proposed to provide an interface between government and industry. would consist of 10 to 12 senior people from industry including leaders of the British Technology Group and of an Industrial Credit Corporation, which might be set up to run the cheap credit acheme.

This panel would provide advice and support for the supplied now on high technology by the Advisory Couocil oo Advanced Research and Development (ACARD).

Th? NEDC would be used as " national forum io which the principles of the iodustrial strategy can be debated and general agreement secured

debate industrial policy, but it may also discuss pay. The docuinclude the long term savings institutions and the chairmen Credit Corporation.

National Development Office would be given more responsibility for industrial trading porformance, including publication of an aonual report assessing the immediate past presenting short and

medium-term forecasts. These various committees and organisatioos would belp develop "a view about the strategic aimation and orosoects in major sectors of industry." This would lead to projects

deemed worthy of support heine picked for help in the industrial credit scheme, which migal provide interest relief and subsidised loans Det cont lower than current of Interest rates.

The prospects gauged for sectors of industry would be used in "inform all government unlicies relating to the success of industry, not only thase directly imminuing on it. as public purchasing, funds for investment, assistance and training but also more generally touching for example on the orientation of the educa-

strategy

"There should be no attempt to draw up a grand plan in the sense of a detailed blueprint for the development of all parts or the industrial economy, bu rather a gradual development of a policy within each specific sector, informed by an overall view of the sort of developments to be encouraged."

Selectivity

There would need to he an olement of "selectivity in the industrial strategy, though in terms of generic technologies rather than traditional product

These remarks show how the SDP is trying to develop an overall industrial policy without appearing too interventionist and without being accused planning to use ministers and civil servants to pick industrial projects which would be But Mr Sainsbury admitted

the document launched that the detailed operation of aid schemes might he lille different in practice Department in areas such as

robotics. Portnership for Prosperity, A strnlegy for industrial success. Concley Street, London, SWI.

Economic line 'means 3m iobless to end of century'

UNEMPLOYMENT will remaio group predicts that jobs would above 3m until the end of the century if the present ecocomic strategy cootinues, says Cambridge Econometrics in its

While no economic forecast can clálm very reliable predictions over so long a period, the Cambridge forecast provides a baseline for possibilities on present trends, barring big political or economic upheavals.

The basic assumptions for the forecast are that Government spending would rise by 11 per cent a year from 1984 on. average earnings would increase by about 10 per cent, and price inflatioo would stay

me tel and 9 per cent a year. nun terang serie It also assumes that exports. balanced to some extent by balanced to some extent by weakoess of commodity prices, after at an anoual rate of about per ceot. Imports are prepared a sumed to grow rather faster than exports until the mid-1980s r, o and then rather more slowly.

recession and high unemploy-

economy is tight, a new study

In a paper which aims to assess the size of the UK black economy—transactions which evade tax—Mr Michael O'Hig-

gins, of Bath University Centre for Fiscal Studies, says the Inland Revenue estimate of

6 to 8 per cent gross domestic

likely figure, although guesses range from 3 to 15 per cent. On the inland Revenue's basis, the

black ecocomy's gross product would be about £15bo a year, making a net tax loss of £4bn.

An analysis of the hidden

product appears to be the most

suggests.

increase rather slowly—by only about 11m in the last 15 years

This would barely keep pace with the increasing number of people of working age, so that unemployment would remain at around 32m, a figure expected to be reached this year.

The group expects output to rising to 3 per cent oext year,
In its latest Monetary Bulletin Greenwell, the broker, says a further fall in interest rates can be expected, unless sterling's effective exchange dollar rate fails very sharply, Recent dollar streogtheoing is weakoess of commodity prices, and the effect of a strong dollar on UK costs bas therefore oot been as great as it might have

and then rather more slowly. Cambridge Econometrics, 21, On these assumptions, the St. Andrews Street, Combridge.

tively little since the late 1970s.

taxation levels peaked during

About three-quarters of the

the late 1970s.

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ecocomy shows that it grew National Savings growth

Booms 'lift black economy'

THE BLACK economy, which is rapidly during the years of often assumed to flourish during rapid' economic growth in the recession and high unemploy-early 1970s and has grown rela-

ment, may in fact be strongest tively little since the late 1970s, io boom years when the formal although public criticism of

May, following poor April figures. Net receipts were £35m up on those of the previous month, at £124.5m.

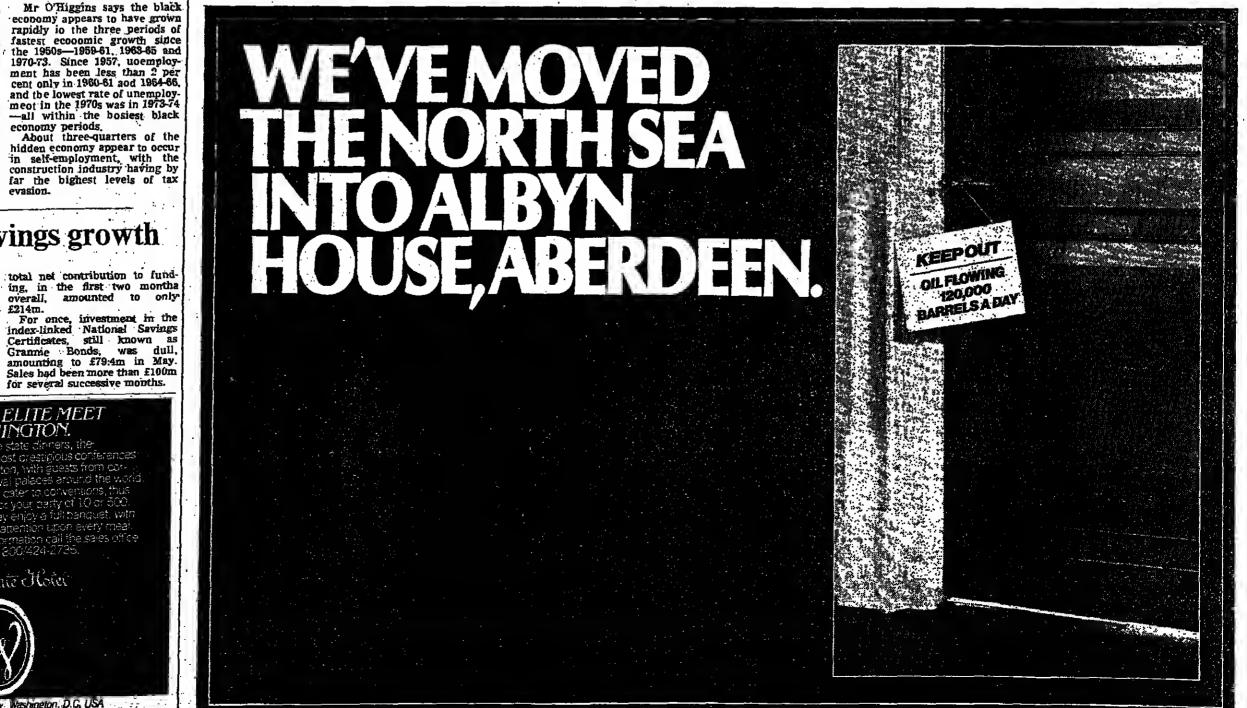
THERE was a marked improve- total net contribution to fundment in National Savings in ing, in the first two months

But that was still only balf the monthly average needed to amounting to £79:4m in May. Sales had been more than £100m goal of £3bn for 1982-83. The for several successive months.

overall, amounted to only

For once, investment in the index-linked National Savings Certificates, still known as was dull. Granme Bonds,





A copy of this Prospectus (having attached thereto the documents specified below under 'Miscellaneous') has been delivered to the Registration. This document includes particulars given in compliance with the Regulations of the Company'). The Directors have taken all reasonable care to ensure that the purpose of giving information with regard to Foresfund Limited ('the Company'). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omitted control of the State of fact or of opinion. All the Directors accept responsibility accordingly. Application has been made to the Company to be admitted to the Official List. The subscription lists for the misleading any statement herein whether of fact or of opinion. All the Directors have a local at any time the whole of the share capital of the Company to be admitted to the Official List. The subscription lists for the shares now being offered will open at 10 a.m. (Bernuda time) on Friday, 9th July 1982 and may be closed at any time thereafter on the same day. Applications should be sent so as to be received not later than 10 a.m. (Bernuda time) on that day.

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The distribution of this document and the offering of shares may be restricted in custam jurisdictions; persons into whose possession this document comes are required by the Company or tofarm themselves of and to observe any such restrictions, in particular this document may not be used for the purpose of an offer or milicitation in any jurisdiction or to any circumstances in which such offer.

The sharor have not been registered under the United States Securities Act of 1933 and may not be directly or indirectly offered in sold in the United States of America, or any of its territorior or possessions or areas subject to its jurisdiction, or to or for the henefit of a United States person. For this purpose, United States person, For this purpose, United States of America, a partitivity or granised or existing in any state, territory or possession of the United States of America and a corporation organised under the laws of the United States of of the United States of areas and a corporation organised under the laws of the United States of America and a corporation organised under the laws of the United States of any state, territory or possession thereof. The attention of United States persons is drawn to the paragraph below headed Restrictions on Holdings' and the compulsory redemption powers of the Company mentioned

All references to 'dollars' and the sign 'S' in this document are, except where the context otherwise requires, to the currency of the United States of America.

Any information given or representations made by any dealer, salesman or other person and out contained herein should be regarded as unauthorised and should accordingly not be relied upon. Nother the delivery of this document nor the offer, usue or sale of shares shall, under any curcumstances, constitute a representation that the information given in this document is correct as of any time subsequent to the date better. This document is stated of ely for the purpose of the initial offer of 1,000,000 shares to the Company. A separate prospectus will be issued for subsequent offers and copies thereof will be available from the Manager.

(sai) subscribers of sharto to the Company should inform themselves as to (a) the possible tax equences, (b) the legal requirements and (c) any foreign exchange restrictions or each ange-tirements which they might encounter under the laws of the countries of their critical dence or domicife and which oright be relevant to the subscription, holding and disposal of

Directors

GESTO CHARLES RANALD (*President and Cheirman*), L'Annonciade, Avenue de L'Annonciade

NORMAN JAMES HOLBROW (Vice-President), Bank of Bermuda Building, Front Street, JOHN GWILYM HEMINGWAY, 19 Boulevard de Suisse, M.C. Monsco.

ANTHONY EVELYN HEPPER, 70 Earon Place, London SW1X 8AT. WILLIAM DONALD THOMSON, Bank of Bermuda Building, From Street, Haochon, Bern

Auditors Peat, Marwick, Mitchell & Co., Vallig Building. Hamilton, Bermuda.

Sylva G. Marshall. Bank of Bermoda Building,

Legal Advisers for the Company Convers. Dill & Pearman, Clarendon House, Church Street.

Legal Advisors for the Issue

The Company was incorporated with limited liability in and under the laws of Bermuda on 3rd June. 1962, The Company is an open-ended investment company in that it may issue and redeem its shares at praces based on the value of its net assets.

Purpose
The purpose of the Company will be to operate as a managed currency fund in order to provide intestors with a medium intrough which they can invest indirectly in bank deposits and momenty unstruments demonstrated in various currencies. The sum of the Directors will be to provide a satisfactory total return for investors in terms of capital appreciation and income.

Manager
The Company will be managed by Securities Selection Limited and the investment adviser to the Managet will be Drayton Montagu Portfolio Management Limited ("Drayton Montagu").

Istac and Redemption of Shares

Shares in the Company will be available for issue at weekly intervals and may normally be redeemed at such intervals. The share capital of the Company is denominated to United States dollars be arrangements can be made whereby subscription moneys and redemption proceeds may be remuted in other currencies (for details see below under 'Issue of Shares', 'Procedure for Application' and

Dividends
Dividends will be paid by the Company, normally once a year, without deduction or withholding

Charges and brokerage
An initial charge, not exceeding 5 per cent. of the gross proceeds of usus of shares, is psychie to the
Manager on unch issue out of which the Manager may make a reallowance to toversors and put
brokerage to intermediately food exists see below under "Issue of Shares". The Manager is also entitled
to receive a fee at the rate of 1-375 per cent, per annum of the not asset value of the Company (for
details see below under "Charges and Expenses").

Stock Exchange Listing
Application has been made to the Council of The Stock Exchange for the whole of the abare capital
of the Company to be resued to be admitted to the Official List.

Investment policy

The observe of the Company is to provide investors with a convenient and efficient way to which
in invest indirectly in a managed portfolio of bank deposits and monetary instruments denominated
in various currencies under communous professional supervision. The aim of the Directors will be
to provide a satisfactory total return for shareholders to terms of capital appreciation and income. Investments may be denominated to US dollars, pounds sterling, doutschemarks, Swiss france, Dutch guilders, French francs, Ispanese yen, Camadian dollars and any other freely marketable currency. There will be no restrictions on the helding of investments denominated in any one currency and it is not the policy of the Directors than a diversified portfolio should necessarily be held. The measurement of capital appreciation of the Company's investments will be against the US dollar being the currency in which the share capital of the Company is denominated. Investments will be made in bank deposits, treasury bills, certificator of deposit and other monetary instruments beving a maturity of not more than ninety days.

Within this overall policy, the Directors will make investments an as to ensure that the Compression sufficient flexibility to take advantage of expected movements to the foreign exchange mand in meer requests for redemption of shares. The income earned may be expected to froctust line with the short-term interest rates of the selected currencies.

it is the policy of the Directors to establish and keep under review specific credit hauts for each bank and institution with which investments or deposits will be made or placed in order to ensure a

Forward Currency Contracts

Use may be made from time to time of the forward market to currencies, but forward contracts will not be entered into having a life greater than ninety days. The use of forward markets permut an exposure to the future movement of a currency and he can introduce an element of genuing or leverage because in does not necessitate an immediate financial quality. When the purpose of a forward transaction is to protect against the decline to value of an existing asset and while that uses is retained by the Company there is, however, on himoduction of genings of eleverage. The policy of the Directors will be to limit the aggregate of the amounts payable under forward quickase contracts quistanding at any one time (after deducting amounts held or set aside in the relevant currency to over amounts an payable to that currency) and the amount of any borrowings to not more than 10% of the value of the net assets of the Company. It is not the intention of the Directors that borrowings should be made other than for short-term purposes.

It is the policy of the Directors that the Company should not trade to currency futures contracts or financial futures contracts but the Directors will keep this policy under review and will northy shareholders before any change in this policy is implemented. Potential investors should be aware that the value of shares in the Company, and the incomfrom them, may full as well as rise.

interest carned on deposits or received from other investments; and the return earned from money market instruments purchased at a discount to their face value which do not bear a rate of interest, will be taken to revenue.

Substantially all of such revenue will, after deduction of the expenses of management of the Company, he distributed of shareholders as dividend. The first dividend will be payable on 30th June 1983 in respect of the accounting period ending on 31er May 1983.

The level of distributable income may be expected to vary in lior with short-term toterest rates of the selected currencies and the rate of dividend psyable in any year will not necessarily be manusined in foture years. Not more than one dividend will be payable to respect of each financial year. Such dividends will normally be paid in Jone in each year.

The Director of the Company will be responsible for the overall investment policy of the Company.

The Manager has been appointed under a Management Agreement dated, foth June 1982, as manager of the Company with responsibility for selection of investments and the day-to-day management of

The Management Agreement between the Company and the Manager will continue in force for a period of three years from its date and thereafter unless and ontil determined by either party giving to the other not less than azt mouths' written notice. The Manager is contiled to retain the inhal charge made in respect of the issue of shares in the Company and or receive a quarterly management fee (for denils see below under 'Charges and Expenses').

Under the Management Agreement, the Manager Is obliged to tetrain the services of on invades or investment advisers, acceptable to the Directors and in the Bermuda Monetary Al Foreign Exchange Control, to advise as to the tovestment of the easets of the Company.

By an Agreement dated 16th June 1982 the Manager has (with such approval) appointed Drayton Montago as its investment adviser for a period of three years and thereafter unless and until determined by either party giving to the other not less than an months' written notice. The fees and expenses of Drayton Montago will be borne by the Manager (for details see below order 'Charges

The Manager is a company incorporated on 19th June 1962 to and under the laws of Bermuda with limited liability. The directors of the Manager are Mr Randd, Mr Holbrow (who are both directors of the Company). Mr Charles F. Hoare and Mr James H. P. Masters. The issued shape capital of the Manager is 312,000 the whole of which is beneficially owned by Randd Consultures Limited,

a company registered in Hoog Kong with limited liability, the whole of the issued share capital of which is owned by Mr Ranald whe is its sale director.

Directors of the Company
Mr Ranald (aged 48) is a resident of Manaco, having emigrated from the United Kingdom in 1971.
Mr Ranald was a founder shareholder of the management companies of the Castle Butamia Group of Unit Trusts and was Chairmad and Managing Director of those companies from 1964 in 1969 when his controlling interiors in the management companies were sold in another unit management group. At the time of the sale the management organists had finds under management of some £20,000,000. Since that dine Mr Ranald has been engaged to proute investment management in France and in 1980 was involved in the formation and launch of a currency unit trust in the Channel

Mr Hemingway (aged 51) practises as a orlicitor and financial adviser on an international basis with offices to Monaco and London. He is also a director of a number of companies both public and private to Europe and North America.

Mr Hepper (aged 59) is Chairman of Richardsons Westgarth P.L.C. and a director of three other Mr Holbrow Jaged 54) is an Assistant General Manager, Trust at The Bank of Bermuda Limited.

Mr Thomson (aged 51) is Deputy General Manager, International at The Bank of Beromda Limited.

Mr Hoare [aged 50] was a director in the management companies of the Castle Britannia Group of Unit Trusts prior to the ade of their share capital in 1969. From 1975 until 1978 be was a managong director of Wardley Limited, the wholly-owned merchant banking subadiary to Hong Kong of The Hongkong and Shanghat Banlang Corporation. He is non-executive Chairman of Geen Gross Fine and Managing Director of and owns Corioth Finance Limited. a Hong Kong company, which provides financial advice principally to companior operating outside the United Kingdom.

Mr Masters (aged 34) is Manager, Treasury at The Bank of Bertouda Limited.

Drayton Montagn at the wholly-owned investment management subsidiary of Semmel Montagn & Cn. Limited, the ultimate bolding company of which is Midland Bank ple. As at 30th April 1983, Drayton Montagn had under its management funds of approximately 1, 400 million and a further amount of some 1,500 million in respect of which it provided measurem advice Samuel Montagn & Co. Limited may enter into currency and other transactions with the Company and will not be accountable for any profits on its part arising therefrom.

Charges and expenses
Under the terms of the Management Agreement referred to above, the Manager will be entitled to receive an initial charge at a rate not receiving 5 per term, of the gross proceeds of issue of sharer by the Company and a fee, payable quarterly, calculated as the rate of 1-37 per cent, per among othe average weekly not asset value of the Company (calculated as necondance with the Bre-Lows). The Amanger is a sun entitled to be reimbursed expenses (up to a maximum of \$1,500) merried in connection with the formation of the Company. The Manager will be responsible to and will best the fee of Drayton Manageu and any other investment adviser or any agent it appoints. The Manager will also hear the cost of providing accounting and certain administrative services in the Company including the cost of the weekly calculation of the net asset valor per share.

The Maringer may at its discretion make reallowance and/m pay contri The Manager may at its discretion make reallowance andm pay continuous to brokerage to investors, or to investors' agents in other intermediarior through whom applications for shares are received. Such reallowance, commission or brokerage may be made or paid on issue of the shares and/or or intervals thereafter in respect or the period during which the investment is maintained with the Company. The making or payment of such reallowance, commission or brokerage is the spic responsibility of the Manager and amounts an paid will be borne by the Manager ont of its own resources. Details of the reallowance, commission and brokerage to be made or paid by the Manager in respect of applications received pursuant to this initial issue are set out under "Issue of Shares' below.

gu will be entitled to receive from the Manager a fee, payable quarte Each of the Directors of the Company will be entitled to receive as remuneration from the Company such amount as the Board may determine, provided that the aggregate of such amounts shall not exceed \$14,000 per amount onless otherwise resolved by the Company in general meeting. The Directors may also be good all travelling, hotel and other expenses properly incurred by them in attending meetings of the Company.

As contodian. The Bank of Bermude Limited (the Bank') will be entitled to receive fees initially at the rate of 0-125 per cent, per canum of the average weekly net asset value of the Company and at the rate of 0-125 per cent of the consideration for each transaction effected for the account of the empany (up to a maximum of \$250 per item). The Bank is also contiled to be recodurated its out-

The Company will, to addition to the fees and expenses payable to the Manager, the Directors and the Bank as custodiam, bear all its operating expenses including the fees and expenses of the Bank in its capacities as secretaries, registrar and transfer agent, of the auditors of the Company and of the legal advisors to the Company, the creas of printing and distributing the half-yearly and annual reports and statements, the annual company registration fee payable in Bermuda, stamp duty on its share capital. The Scock Exchange being fees, the costs of publishing share prices and all dealing expenses.

The costs and expenses incurred in connection with the formation of the Company, the preparation and publication of this document, the initial issue of shares In the Company and the application to The Stock Exchange for admission of the shares in the Official List, excluding the initial charge payable in the Manager but including preliminary expenses of \$1,000, all legal, printing and solvertising costs, the expenses of the Manager and Bermuda-stamp duty on the authorised share capital of the Company are estimated to amount to \$1,000. In addition stamp curry will be payable in Bermuda as described under Tazznon and Stamp Duty; or the rate of 0.009 dollars for each share subscribed pursuant to this offer. This duty and the said costs and expenses will be borne by the Company and amountised over the first five financial years of the Company.

mares

only is making an initial offer of 1,000,000 shares at the fixed price of \$10 per share. The procedure for application is set out below

The usine price is \$10 per share which includes an intrial charge of 50 cents per share which wall be payable by the Company to the Manager. The Manager will allow brokerage or members of The State Exchange, recr Exchange, recognised banks, solicitors, accountants, insurance brokers and other professional truermediatries on applications made heretunder bearing their stemp at the rate of 75 per cent, of the initial charge, not of any reallowance, on all shares issued pursuant to such applications. The Manager

Number of shares' applied for	Reallowance per share	Initial charge, ner of reallowance, per share
up to 10,000 .	Nil	50 ccoss
10,000 or more but less then 20,000	25 cents	25 cens
20,000 or more	50 cents	No

The Manager will also pay to dollars in each professional intermediary within 30 days of each anniversary of the launch of the Company an annual commission at the rate of 0.2 per cent, of the aggregate weekly not asset value during the period of receive months ending on that anniversary of all abares issued pursuant to applications made hereunder bearing the examp-of such intermediary and held commissions for that period of receive months.

Powment for shares applied for must be made in foll. Any reallowance or brokerage due will be paid in dollars by the Manager separately by cheque posted within 14 days after the closing of the subscription lists or, if later, after clearance of the applicator's cheque. After the initial issue, sharor may be issued by the Company on Subscription Days. The Bye-laws of the Company provide that shares may not be usued or less than the Subscription Prace (as to the calculation of which, see below under 'Prices and Ner Asset Value') after the close of business on the preceding Valuation Day, not at less than their par value.

The Subscription Price, save in respect of the initial issue of shares, will melinde an equalisation payment for respect of the net underributed income of the Company in order to ensure that the lewer of subsequent dividends is not affected by the issue of shares. The Redemption Price per share may similarly include an amount to respect of the accrued income of the Company up to the date on which the redemption is effected.

Subactiption Days will be every Wednesday and Valuation Days will be every Tuesday (or if any such day is not a business day to Bermuda, the next following business day) and/or such other day or days as may from time to time he determined by the Directors. The Bye-laws provide that there shall be at least one Valuation Day in each month. The Subscription Price of shares will be published daily in the Financial Times and in the International Herald Tribune and will be available from the Manager on request.

Procedure for application
Applications to shares must be made on the application form forming part of this document. The
mitozum subscription for each applicant is 2,000 shares.

Applications should be sent either to: The Bank of Bermuda Limited,

Corporate Trust Department, Bank of Bermuda Buildiog, Hamilton, Bermuda

The Bank of Bermuda (Guernsey) Limited, Bermuda House, St Julian's Avenue,

St. Peter Port, Guernsey, Channel Islands.

Applications should be sent as as to reach either such address not later than 10 a.m. (Bermudi on Friday, 9th July 1982. Applications which do not fulfil the conditions stated in this doctor may be rejected and the right is reserved to reject any application and to accept any application.

Payment to dollars
Payment to dollars may be made either:-

(i) by relegraphic transfer to Chase Manhattan Bank of I Chase Manhattan Plaza, New York, NY 10015 for the account of The Bank of Bermada Limited (Chips UTD No. 005584 and account No. 001-1-067346) sub-account Fureafund Limited and by advice to that effect in The Bank of Bermada (ii) in the case of an application tent to The Bank of Bermuda (Guernsey) Limited, by a dollar cher to favour of The Bank of Bermuda (Guernsey) Limited which should accompany such applicate

Payment in pounds seerling, decuschemarks or Swiss france
Shares will only be assued by the Company against payment to dollars. Where the application is sent
to The Bank of Bermands [Guerney] Limited application moneys may, however, he remitted in
pounds stretting, deuts chemarks or Swiss france by telegraphic transite to Middand Bank plc.
International Division of 60 Gracechurch Street, London EC3P 3BN for the account of The Bank
of Bermands (Guerney) Limited (account on, 491496, he pounds sterling remissances, or account
no. 68012679, for deutschemark remitances, or account no. 68167922 for Swiss franc remitances)
sub-account Forestimal Limited and by advice to that effect to The Bank of Bermuda (Guerney)
Liotized in Guerney)

The Bank of Bermund (Guernsey) Limited will, as soon as practicable after confirmation of receipt of the telegraphic transfer arrange the necessary foreign exchange transaction to convert the currency remitted into dollars on behalf of and for the account of the applicant without responsibility as respects the Company and then remit the net dollar proceeds to Chase Manhutan Bank for the account of The Bank of Bernucia Limited as referred to above. Where payment in dellars has not been received by the Company when the subscription lings close the relevant application will not be accepted. No responsibility is accepted by the Company or by the Bank or The Bank of Bernucia (Guernsey) Limited for any delays to the clearance of funds or for any necessary currency convention.

If on conversion into dollars, the application moneys are insufficient to pay in full the subscrip price of the theres applied for, the application will be treated as an application for such lesser nor

of shares (including fractions of a state to the nearest one-impolecth of a share) as may be subscribed with such application moneys provided that such lesser number is more than 2,000. If such lesser number is less than 2,000 the application will be rejected.

Acceptance of applications will be conditional on the Council of The Stock Exchange admining to the Official List, or to before 16th July 1982, the abures to the Company. Moneys paid in respect of applications will be returned (without incress) to dollars it such issues a not obtained by that date and to the meantime will be returned by the Bank in dollars in a separate account.

If any application is not accepted to whole or in part, the application money or the balance thereof will be returned (without unesest) in dollars through the post at the risk of the applicant. The right or present all chaques for payment on receipt is reserved and on share certificates will be issued or sent not excess application money returned pending clearance of an applicant's chaque, the completion and delivery of the application from accompanied by a chaque will onspirate an undertaking that the chaque will due paid on first presentation and attention is drawn to the declaration to the application form to that effect.

Share certificates will be forwarded not later than 31st July 1982 at the risk of the person(s) entitled thereto by ordinary post to the person(s) to whose usine(s) the shares are to be registered to, to the case of joint holders, to the first usined holder at his registered address.

Taxastion and stamp duty

At the date of this document there is on Bermuda income use, withholding use, capital gains too capital
transfer use, estate duty or inherizance too payable by the Company in its abaseholders afther than
abareholders ordinarily resident in Bermuda.

By nittee of the Encapted Undertakings Tax Protection Act 1966 (as amended), the Minister of Finance of Bermuda has given an indertaking that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28th. March 2006 he applicable to the Company or or any of its operations, or to the shares, debentures or other obligations of the Company except usafar as such tax applies or persons ordinarily resident in Bermuda and helding such shares, debentures in other obligations of the Company or any land letted or let to the Company.

As an exempted company, however, the Company is liable to a fixed annual payme. Government which is currently HDS2,250. Sramp days at the rate of 0-25 per cent, on the nominal value of the Company's initial authorised share capital and on any increase therein and stamp days at the rate of 0-1 per cent, on the excess of the subscriptum price over the nominal value to respect of the minual issue of a share is payable by the Company to Berminda.

It is the intention of the Directors that, as far as possible, investment should be made in securities and deposits or a way which will secure that interest thereon in received without deduction of any withholding taxes imposed by other committee. Withholding taxes deducted will not be recoverable. It is the intention of the Directors that neither the central management and control nor the day-to dev management of the Company will be undertaken in the United Kingdom. Accordingly, the Company should not be resident to the United Kingdom for toxinon purposes. The Company should not, therefore, be hable to United Kingdom corporation tax on its income or gains.

Subject to their individual circumstances shareholders resident in the United Kingdom for taxati

Clearance under section 464 of the Income and Corporation Taxes Act, 1970, (The Taxes Act) of the United Kingdom (cancellation of tor advantages from certain transactions in securities) has been given by the United Kingdom Bornd of Inland Recent to relation to the issue by the Company of shares for cash, the subsequent sale of such shares to the Manager or on The Scock Exchange and

The attention of individuals ordinarily resident to the United Kingdom is drawn to section 478 of the Taxes Act as amended by the Figures Act, 1981 which may resident them liable to income tax in respect of the proportionate part of the undistributed income of the Company attributable to their holdings of thares.

The foregoing is based on the law and practice currently to force and at subject to changes therein. Investment should consult their professional advisers on the possible tax consequences of buying, holding or selling shares to the Company under the laws of their commity of citizenship, residence

Redemption of shares
Subject to any suspension of the determination of the net asset value of the Company (see below under
Prices and Net Asset Value') and subject as mentioned below, shares may be redeemed by sending
a letter requesting redemption, accompanied by the share certificates to respect of the shares to be
redeemed, either to The Bank of Bermuda Lumited in Bermuda or The Bank of Bermuda (Guernsey)

The redemption will be effected on the next Subscription Day of the request is to received three days before the Valuation Day preceding that Subscription Day or in any toher case off the second Subject prion Day after Such receipt of the request. For this purpose, notices received after 10 Line (Bermitted in pine) on any day, to on a day which in not a positions day in Bermida, will be deemed to have been received on the next business day. A shareholder redemping shares will be paid the Redempinon Price perstare on the Subscription Day on which the redempinon is effected, the method of calculating which is described below under "Prices and Nex Asset Value", Subject as mentioned above, the Bre-laws provide that the Redempinon Price will be paid in the redeeming shareholder in dollars within 7 days of the relevant Subscription Day.

Redemption of part of the helding of shares will be permitted provided it would not result in a shareholder remaining registered or the holder of shares the aggregate redemption price of which on the relevant Subscription Day would be less than \$30,000, in the case of a partial redemption, a balance certificate will be sent at the same time as payment is made for the redeemed shares.

The redemption moneys are payable by the Company in dellars but arrangements may be made with. The Bank of Bernauda (Guernaey) Limited whereby the dollar redemption moneys, would be converted by The Bank of Bernauda (Guernaey) Limited on behalf of sud for the account of the applicant, muse rather pounds stering, desirehenarks or Sens francis and remitted in that currency. The Act of Incorporation of the Company problems any redemption being made if the effect thereof would be to reduce the aggregate par values of the fully-paid shares issued and ourstanding below

Contodian, bankers, registrar and transfer agent
The Bank has been appointed by the Company as custodian of the investments and uninvested cash,
of the Company, which will be held on behalf of the Company either directly by the Bank or through
a sub-custodian. The Rank is also responsible fro maintaining the Register of Shareholders and for

The Bank is a limited company incorporated in Bermuda under The Bank of Bermuda Act of 1890. is engaged to a wide range of international banking and trust services. The fors and expenses of the Bank as custodian (for details see above under 'Charges and Expenses'), and as secretaries, registrar and transfer agent will be borne by the Company.

The Company has also appointed the Bank as its bankers on the latter's normal banking terms for customers (as reports bank charges, interest and other matters). As bankers in the Company, the Bank will be responsible for implementing banking and financial transactions for the account of the Company. The Bank may act so principal in any sinch transactions with the Company and will not be accountable for any profits on its part arising out of such transactions.

A subsidiary of the Bank will be providing accounting and administrative services (including the calculation of the act axis valor per state and the maintenance of the Company's books) to the Manager at the expense of the Manager.

Subscription and redemption agent
The Bank of Bermuda (Guernsty) Limited, a wholly-owned subsidiary in the Bank, has agreed or
act or a subscription and redemption agent of the Company in Guernary for a fee which will be payable
by the Manager.

General information

Constantion and Share capted

The Company is an open-ended investment company with limited liability which was incorporated
in Bermuda on Ird Jane 1982, under the provisions of an Act of the Bermuda Legislature entitled

The Foresfund Company Act, 1982.

The present authorised share capital of the Campany is \$2,000,000 divided into 2,000,000 shares of \$1 per value each of which, as at the date of this document 12,000 shares (being the Company's minutum issued capital) have been allowed all paid at the price of \$10 per share for responsibles as part of the initial offer of shares. All shares are of the same class and, appar issue, will past part passu among themselves. The Company has power, under its Act of incorporation, to issue fractions

The Act of Incorporation and the Bye-laws comprise the constitution of the Company.

Tree Bye-laws provide that the Directors shall not movest any of the untert of the Company to real property, commodities, commodity contracts or securities representing merchandise or rights to merchandise, or units, sub-units or shares in any trust scheme or mutual fund.

Prices and Nor Asset Value
The Subscription Price per share to the Company at each Subscription Day is the net asset value
per share in the Company determined in accordance with the Boe-laws or at the close of business an
the Valuation Day preceding the Subscription Day, plus such sum (if say) as the Directors mayconsider represents the appropriate provision for facial and purchase charges which would be more
and the purchase of the assets of the Company, plot the intrust charge referred or under "Charges and
Expenses", plus such sum to round the price up to the nearest one cent per share.

The Redemption Price per share in the Coupany at each Subscription Day is the net asset value per-ahare in the Company determined in accordance with the Bw-laws as at the close of business on the Valuation Day proceding the Subscription Day, less such an amount if any) or the Directors may consider represents the appropriate gllowance for fiscal and sale charges which would be recurred on the sale of the assets of the Company less such amount in would round the total down to the nearest

The value of the assets of the Company will be determined following the close of business to Bermuds on each Valuation Day which falls on each Tuesday, or, if any Tuesday is not a business day in both Bermuds and New York, on the next following day which is a business day in both those piaces. The not asset value per abuse is calculated by dividing the value of the assets of the Company, icas its liabilities, by the busil number of shares in issue. The value of the assets of the Company and the amount of its liabilities will be determined by the Directors in accordance with Byr-law 11 which provides, inter alia, that:

the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends and interest declared or secrued and not yet received shell be deemed or be the full amount, thereof unless the Directors shall have determined that any such deposit, bill, demand note or account receivable is not worth the full unmount thereoff in which event the value thereoff shall-be deemed to be such value as the Directors shall deem to be the

where the Company has entered into a forward contract for the sale or purchase of any or the currency required to be delivered by the Company shall be included in the assets Company at the price payable to the Company under such contract and there shall be in the liabilities of the Company the cast of purchasing, as advised to the Company to Valuation Day immediately preceding the relevant Subscription Day, the contract que of that currency of the date for performance of the commen;

securities shall be valued at the mean between the lowest available dealing offered prace and the highest available dealing bid price on the principal securities maybet for those securities; all such valuations shall be orleadated by reference to the prices appearing to the Directors to be the latest available on such principal securities market is the close of business on the Valuation Day immediately preceding the Subscription Day on which shares are to be sillotted or rederined (to the case may be) provided always that:

(a) If the Directors in their discretion consider that the prices ruling on a securities market
other than the prioripal accurities market provide in all the circumstances a fairer
criterion of valon in relation in any such investment, they may adopt such prices; the Directors may at their absolute discretion, permit some other method of valuation to be used if they consider that such valuation better reflects the fair value;

if and whenever the quoted, listed or available price of an investment is a single price such price shall be taken at the mean between the lowest available market dealing offered price and the highest available market dealing bid price; preliminary expenses (including the expenses incurred to connection with the initial issue of shares) will be amortised over a period of five years or such shorter period as the Directors may determine from time or time and will be included as an esset at cost less amounts written

if no price quotations are available as above provided, the value thereof shall be determined to time to time to much manner as the Directors shall determine; and

any value (whether of a security or each) otherwise than to US dollars shall be converted into US dollars shall be converted into US dollars of the race whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard *inter alid* to any premium or discount which they consider may be relevant and to costs of exchange. The Byo-laws provide that the Directors may or any time and from time unspend the determination of the not seed value for the value or any part of any partod (a) during which any principal securities market on which my significant period of the investments of the Company are listed, quoted, traded or dealt in in closed (other than contentors) weekend and holiday closing) or trading on any such market is materially restricted, or (b) when circumstances even as a result of which me the opinion of the Directors it is not reasonably practicable for the Company to dispuse of investments owned by it et as a result of which our such disputal would be marcially prejudicial. investments owned by it or as a result of which any such disposal would be instrainly preported to shareholders or ic) when a breakdown occurs in any of the meant storaghly employed in ascertaining the value of investments to when for any other reason the value of any of the investments or other assets of the Company's must be respected or fell during which the Company is unable to repair as funds for the purpose of making payments on the readingtion of Shares or during which any mustire of funds involved in the realisation or acquisition of Investments or payments due on redemption of shares cannot in the opinion of the Directors be effected at popular rates of each any starts after the property of the Directors of the property of the Shares and the fundamental starts of the start anyones on will be group by the Directors to any starts and the international Metald Tribune and in any other way that the Directors may consider appropriate. The Bre-laws provide that any certificate as to the net asset value given by beautochaif of the Directors.

Share Certificate

Share Certificates
In accordance with Bernauda law, share certificates will only be assued in the names of companies,
partnerships or individuals. In the case of an applicant acting in a special capacity (for example, as
on executor or matter), certificates may, at the request of the applicant, remain the empirity in which
such applicant a sering. Shares purchased for those under 21 years of age must be registered in the
name of the parent or guardian, but may be designated with the minus a initials for the purpose of
identification.

Arrangements can be made with the Bank for shares robe held in the fame of rise or under a trust or Bermuda. Details of these facilities, which are provided by obtained from the Bank.

Obtained from the Bank.

Transfer of Shares

Shares are transferable by Instrument to writing signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sested by) the transferor and registered in the Register of Shareholders of the Company. The Directors may decline to register any transfer of shares over which the Company has a lieu and may also decline to recognize any instruments of shares over which the Company has a lieu and may also decline to recognize any instruments of shares over which the Company of such other place or the Directors may appoint, accompanied by a certificance for the shares to which it relates, and such other evaluaces the Directors may encounted by a certificance for showned to right of the transferor to make the transfer. The Directors may an their absolute distribution anappend the registration of transfers for not more than a poyal of 30 days to any year. In the case of the death of any one of four shareholders, the survivor or survivors will be the only person or persons recognised by the Company or having any title to the interest of the deceased joint shareholder in the shares registered to the names of such joint shareholders.

Shares may be bought and sold on The Stock Envisange without the need to comply with the restrictions referred in above as to the minimum number of shareholds.

restrictions reterred in above as to the anianus to mumber of sharehold.

Exchange Control

The Company has been classified as non-resident of the Bermund Exchange Control area by the Bermund Monetary Authoray Foreign Exchange Control, whose permission for the issue of shares in the Company has been obtained subject to the condition that the appointment of any new investment advisor to replace Drayton Montage should base its prior appeared. The transfer of shares between persons regarded as resident outside Bermunda for exchange castnot purposes and the issue and redemption of shares to or by such persons may be iffected without spicific consent under the Bermunda Exchange Control Act 1972 and requisions made thereunder. Buse and transfer myolving any person regarded as resident to Bermunda for exchange control purposes require specific prior authorisation made that Act.

Under current Retranda last classics a between a fewer of the sections of the sections. authorisation under that Act.
Under current Beamada legislation a transfer of theres, where the transferer is resident in Bermudi
for the purposes of the Exchange Control Regulations 1975, must be samped at the rate of one half
of one per cent. of the consideration for the transfer.

Reports and Accounts
Copies of the audited financial statements of the Company (made up to 31st Aday in each year) will be sent to shareholders at their registered addresses not less than 21 days before the date fixed for the general meeting of the Company at which they will be considered, Sismeholders will also be sent cogges of a half-yearly report on the Company and the Indiversity unaudited financial statements of the Company made up to 30th November to each year.

General Medius:

The annual general meeting of shareholders of the Company will be held for the purpose, inter this, of considering the and test financial statements of the Company in Bermuda or such other lecation as the Directors of the Company may from time to time determine. Notice: convening the annual general meeting (together with the annual Frepair and accounts of the Company) will be sent to shareholders at their registered addresses not later than 21 days before the days fixed for the meeting. Other general meetings may be convened from time to time by the Directors by senting notices to shareholders at their registered addresses.

Auditors' Report

The fellowing is a copy of a report received from Peat, Marwick, Mirchell & Co., Characted

Accountants, the auditors of the Company:

Vents Robbing.

Vallis Building, 16th June 1982 - PPOINT

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100

Star T. Vil King Later

to Russiania

Gentlemen.
We report that your Company was incorporated on 3rd June 1982. Your Company has not yet
commenced beamess and accordingly no accounts taxt been hade up and no dividends have been declared or paid. Yours faithfully, Pear, Marwick, Matchell & Co.

No Director has a service agreement with the Company nor is any such contract proposed. A Director is not required to hold any shares by way of qualification. There are no provisions requiring Directors to tetire is any specified age. to tetire is any specified age.

Each of Mr Henring way, Mr Hepper and Mr Hoare true benefit from the receipt from the Manager of brokerage at the same rate and on the same terms as other professional intermediation (for details

laws contain provisions to the following effect: Each of the Directors shall be paid remnueration at such rate as may from time to time be determined by the Board provided that the aggregate of all such temuneration (excluding amounts payable under any other Bpe-law) shall not exceed \$14,000 per annum or such higher amount as may from time in time be determined by resolution of the Compiany in General

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any commutee of the Directors of General Meetings of the Company or to connection with the hummens of the Company. Any Director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by why of salary or otherwise as the Directors may determine.

Transactions with Directors etc.
The Bye-laws contain provisions to the following effect:

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) is enquaction with his office of Director or may act m a professional especity to the Company on such terms at to tenure of office, and otherwise as the Directors may

determine.

No Director or intending Director shall be disqualified by his office from contracting with the Company either as wender, purchaser or otherwise, nor thall any such contract or any contract or arrangement entered to to by or on behalf of the Company in which any Director is in say way interested be hable to be avoided, nor shall say Director as contracting or being an intense be table to account to the Company for any profit realised by say such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship of the Directors at which the question of entering into the contract or arrangements first taken into consideration, or if the Director was not at the date of the meeting unrerested in the proposed counters or arrangement, then as the next meeting of the Directors held after he becomes to interested, and in a case where the Director becomes inspected to a contract or arrangement after it is made, then at the first meeting of the Directors held after he becomes as on the rest of the proposed contract or arrangement after it is made, then at the first meeting of the Directors held after he becomes so interested.

A Director's voning rights to respect of matters in which he is materially interested are restricted to certain cases, but the Company has power to general meeting to suspend or relax such restrictions or or ratify any transaction not duly authorised by reason of a compavention thereof.

Restrictions on Hishings.

The Directors have the power in impose such restrictions as they may think necessary for the purpose of ensuring that on shares in the Company ere acquired in held directly or beneficially (7) by any United States person or fill by any person in breach of the law or requirements of construction or of the process of the state of the state of the process of the process of the state of the process of

the certainest or certainates for the shares to which it refers.

demunies and Responsibility

be Bye-laws contain the following provisions:

Every Director. Secretary, and other officer or servant of the Company shall be
indemnified by the Company against, and it shall be the duty of the Directors out of
the finds of the Company to pay, all costs, losses, and expenses which any such officer
or servant may incur or become liable to by reason of ony contract entered into, or act
or thing done by him as such officer, or servant, or in any way in the discharge of his
chairs, and the amount for which such indemnity is provided shall ammediately and
as a lien on the property of the Company, and have practicy as between the Sharcholders
over all other claims.

over all other claims.

No Director, Secretary at other officer of the Company shall be liable for the acts, receipts, neglects or definits of any other Director or ollicer, or for joining to any receipt or other act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the usualisatency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or clamage arising from the bankrupicy, insulvency, or tortions act of ony person with whom any moneys, securities or effect shall be deposited, or for any loss occasioned by any error of judgment; ourselond, default, or oversight on his part, or for any other loss, damage, or misfortune whatever which shall happen in relation to the execution of the duties of his office or in relation thereto, unless the same happen through his own dishonesty.

Barbarnings
Under the Byt-laws the Directors may exercise the Company's powers to borrow and to
charge its sasets, but they are required to restrict the bossweines of the Company and no
charge its sasets, but they are required to restrict the bossweines of the Company and no
concerns all voting and other rights or powers of countd casacisable by the Company in relation
to its subsidiary companies (if any) so as to secure (as regards subsidiary companies an far as
by such exercise they can secure) that the aggregate amount for the time being remaining
undischarged of all moneys borrowed by the Group (which expression means and includes
the Company and its subsidiaries for the time being) exclusive of intra-Group borrowing shall
not, except with the consecut of the Company in General Meeting, exceed an amount equal
to the net asset value of all shares in the Company (as defined in the Bye-laws).

Lloyd's dilutes its claim to protection from lawsuits

BY JOHN MOORE, CITY CORRESPONDENT

THE House of Lords select committee reviewing the Lloyd's Bill for improving the insurance market's self-regulation has nearly finished its inquiries. The final closing speech hy legal counsel on behalf of those giving evidence is expected to be heard tomorrow.

The committee, chaired by Lord Nugent of Guildford, will then deliberate on whether further changes in the Lloyd's legislation are required.

Already the committee has forced Lloyd's to modify its immunity clause which would have granted a new Lloyd's ruling council immunity from legal suits for damages by any nf its members.

Lord Nugent tald Lloyd's that the "matter of immunity is something on which parliamentarians are extremely sensitive and the narrower you are able to draw your clause the less difficult at is for Parliament to

Lloyd's beeded the wishes of mittee is protected in cerrying largest brokers bave testified the committee and the immunity out its present duties by en that their perception of Lloyd's clause allows members of errors and omission insurance as e market will not be eltered. Lloyd's to start proceedings for policy believed to be in the if divestment goes ahead. defamation and libel against the council. The council is now protected only from suits for damages in respect of negli-

In acceding to the wishes of council would need e much the committee, and responding larger insurance policy to carry to opposition by some members out its duties. Extending that of the Lords to the immunity clause, Lloyd's has undermined a central prop to its argument

Lloyd's has asserted that it needed immunity from suits for damages because constant legal wrangles would cause immense damage to the market, particu- comoetitors, larly if those actions became

It said that it was "peculiarly been demonstreted before the vulnerable to blackmail by Lords committee. A specialist litigation" and that its position broker in errors end omissions in world markets could be put insurance has been called by problems which arose in the the committee.

Lloyd's is still vulnerable to protracted legal action by its own members with all the attendant publicity this might entail and which it was seeking in the future. There would be the future.

Defending the provision of "any other market," they argue. Immunity from suits claiming They also say that the connegligence, Lloyd's argues that flicts of interest could be eradiconventional protection through cated through a formal separa-insurance would not be ade- tion of management functions quate. Yet here the arguments are vulnerable.

The present Linyd's comregion of £100m. That policy is pleced both inside Lloyd's end outside among London insurings in underwriting managing ance companies.

Lloyd's says that e new council would need e much new policy could involve many overseas insurence companies.

If a dispute arose, Lloyd's writers under the terms of the plank on which effective self-policy and confidential husiness regulation at Lloyd's rests. If information might need to be it is withdrawn from the Bill, exchanged among Lloyd's own

To what extent this might withdrawn rather than pursue become a real problem has not new legislation at any price.

at risk by sustained legal action, those opposing the immunity Lloyd's stressed that it needed clause, but no specielist under-protection for a council to move writer in that area has given with confidence in dealing with evidence on this issue before

Market.

As the scope of the clause of the Lloyd's Bill, that of the has been narrowed, many of forced sale of brokers' sharethese arguments are now falling holding links with underwriting interests, has attracted wide spread opposition before the

to avoid hecause of fears that little financial incentive to bring it might jeopardise its position business to the market; which in world merkets. would come to be treated like

> within the broking groups, stopping short of outright sale. However, three of the world's

. In the present relationship where brokers owo shareholdagencies, abuses can and do

Lloyd's is atlempting to regularise the relationship between brokers and underwriters, restore the market's identity and provide e sytem of fair selfregulation within the market Divestment is the central there are those in Lloyd's who

ergue thet the Bill should be

APPOINTMENTS

Senior posts at Lloyds Bank

appointed to the beard of LLOYDS BANK INTERNATIONAL as an executive director, merchant banking division, oo Agust 2, taking over from Mr. H. R. Thompson who returns to Lloyds Bank as an assistant chief general manager.

Mr. R. C. Buckmaster, manager.

Mr. Richard H. Amis, chairman of Alfred Booth and Co. has been eppointed to the board of Standard to Chertered Bank: end Mr. Affred Booth and Co. has been eppointed to the board of Michellin Tyre.

Mr. Alan Bicks has joined the Michellin Tyre.

Mr. Alan Bicks has joined the Michellin Tyre.

Mr. Alan Bicks has joined the London Office of FIDELITY also been appointed a director.

Mr. A. C. Buckmaster, manager.

Mr. A. C. Buckmaster, manager.

Mr Donald M. Corbett bas joined the partnership of GREIG, MIDDLETON, stockbrokers, and will be responsible for the new branch office in

Mr Michael D. Heeley has been appointed vice-president and Mr John E. Rimmer assistant vicepresident by MANUFACTURERS HANOVER TRUST CO.

Mr C. J. Strowger has been appointed to the board of HARLAND SIMON (1980) as a non-executive director. He is chairman of Hornby Hobbies and General Telephone Services.

Mr. Clive A. Parritt, a partner in Touche Ross, has been elected chairman of the LONDON SOCIETY OF CHARTERED ACCOUNTANTS for -1982-83. Mr Brian Worth has been elected vice-chairman and Mr Peter Wyman, treasurer.

Mr Stuart T. Graham bas succeeded Sir John E. Read, who resigned as chairman of INTER-NATIONAL COMMODITIES CLEARING HOUSE upon its resent change of ownership. Mr from the board and the following appointments have been made: Mr Denis M. Child, of the National Westminster Bank; Mr Kenneth B. Cox, of the Midland WOOD Bank; Mr John A. Davies, of INGS.

. . . .

Mr P. L. Brooke has been Lloyds Bank; Mr Norman E.

Following the rationalisation reorganisation moves at WATSON & PHILIP which have taken place over the last year. Mr H. V. Gardner has resigned as managing director of the com-pany and its subsidiaries from June 18. The chairman, Mr J. C. Hadden, will become executive chairman and the other execuremaining duties formerly carried out by Mr Gardner.

Mr W. A. G. Spicer will retire as finance director of ARTHUR GUINNESS AND SONS on July 31 and Mr M. Hely Hutchinson the company with effect from September 30 to become chief executive of the BANK OF IRELAND.

Mr Kelth Speed, the former Navy Minister who was dismissed by Mrs Thatcher for criticising defence cuts, has been appointed Parliamentary consultant to the PROconsultant to the PROFESSIONAL ASSOCIATION OF
TEACHERS—the "we never strike union." Mr Speed, Conservative MP for Ashford, from July 1. Mr L J. Allen—succeeds Mr John Britcher, MP national, Mr R. D. Anderson—for Covenity South West with Aberdeen Mr A. J. Button

to Lloyds Bank as an assistant chief general manager. Mr Brooke joins LBI from Chase Manhattan Bank, New York, where he was director, merchant banking.

Mr A. C. Buckmaster, manager, manager, and seven promoted to senior operations promoted to senior operations officer, is on assignment at the London office es operations maneger. Mr Hicks was previously chief trader for corporate services with the Bank of Canada in Toronto and London. Ms Page was assistant manager of operations al Fidelity's New York City-based subsidiary, Fidelity International Bank.

> Mr Vie Serivener bas been appointed group engineering and property director at ROADLINE.
>
> UK. He was an executive manager with the National Freight Corp. as head of purchasely and the National Project Corp. chasing. Before joining the NFC 18 months ago he was maneging director of Tate and Lyle's Scottish operations. ..

Mr Graham G. Woodhead has been appointed a director of BESTOBELL from July 1. He joined Bestohell in 1972 as general manager of Bestobell Seals. In 1976 he was appointed managing director of Bestobell Mohrey and in 1979 hecame business group manager of the controls and instrumentation group of companies comprising operating units in the UK. Europe and North America.

for Coventry South West, who Aberdeen, Mr A. J. Barton bas accepted a Government post.

- Newcastle, Mr I. J. Allen-Mr Leonard Boyle has been southampton, Mr D. T. Wilson appointed chairman of GREEN-London, Mr E. S. Yates—WOOD DEVELOPMENT HOLD Bristol, and Mr C. Young—Glas-

Midland Bank to maintain horse trial funds

MIDLAND BANK has agreed with the British Horse Society horse trials committee to continue its financial support for at the end of the current season. However, funding will be at e more modest level.

Shelter urges radical housing reform

posed in a report published horse trials after it ceases to today by Shelter, the national be the sport's national sponsor campaigo for helping the homeless.

The report. Housing and the Economy: A Priority for A series of 10 one-day trials. Reform. calls the present "Resources which are Shelter calls for policies to exemptions will precede the 1983 Midland system of housing finance inefficient, unfair and damaging country's deteriorating housing neutrality between investment interest, to the nation's productive stock are thus being diverted in housing and other forms of imputed economy. The rented sector, to subsidise those home-owners investment; the encouragement examined.

home owners, the report says.

These exemptions, it says, have artificially stimulated the deniand to huy and resulted in rapid house price inflation and widespread under-occupation.

Far from helping the first-time home buyer, the present distribution of subsidies made purchasing difficult and expensive while providing substantiat benefits to people who least needed them.

RADICAL changes in the methods of financing the methods of financing the provision of housing are proof the trend whereby a rapidly increasing proportion of housing expenditure is taken by subsidies at the expense of investment.

These requirements could not be met unless the main tax desperately needed to renew the reflect the need for greater tax enjoyed, including mortgage country's deteriorating housing neutrality between investment interest, capital gains and imputed rental value, were

In Business Class on long stretches, which airline would you rather fly?





.When you consider what most airlines are saying about their business classes, the differences can be measured in centimetres. Of course, more legroom is important. But Lufthansa offers that and even more. That's because in Business Class on all DC 10 and B 747 flights we have removed up to 31 seats to give you more comfort, more cabin space and far longer stretches. There's a choice of menus and a complimentary bar service. And if our selection of six different beers, six whiskies and seven wines is not your Cup of tea, there's a wide range of soft drinks to be sipped at, not to mention our vintage port wine. There's also a big choice of reading material and free in-flight entertainment. Only Lufthansa can give you so much.



Complete in block letters please

Contact your Travel Agent or Lufthansa Reservations.

FOREXFUND LIMITED continued -

The following contracts have been entered into prior to the date of this document and are,

The following contracts have been entered into prior to the case of the actualization or may be, material:

(i) Management Agreement dated 16th June 1932 between (i) the Company and (2) the Manager whereby the Company appointed the Manager, subject to the overall supervision of the Directors, to manage the Company's investments and affairs, with powers of delegation, and to distribute and promote the distribution of its shares. The Agreement contains provisions indemnifying and exempting the Manager from imbility mor due to its walful misfeasance, negligence, bad faith or teckless disregard of duties. For the purposes of carrying out its duties under the Agreement, certain of the functions, duties, powers and discretions of the Directors are exercisable by the Manager. In the event of the termination of the Management Agreement, these fasterious, duties, powers and discretions would reven to the Directors. The Agreement is for a period of three years and will containe thereafter unless and ontil terminated by six months notice in writing being given by either party to the other.

Investment Advisory Agreement dated 16th June 1982 between (1) the Company (2) the Manager and (3) Dravton Montagu whereby Brayton Montagu agreed to give investment advice to the Manager with respect to the Company. The Agreement contains provisions whereby the Manager and the Company agree to indemnify and exempt Drayton Montagu from liability not due to its willful misfeasance, negligence, bad (aith or reckless disregard of duties. The Agreement is for a period of three years and will commute thereafter unless and until terminated by ast months' nonce in wrange with the metal-terminated by ast months' nonce in wrange with the metal-terminated by ast months' nonce in wrange with the metal-terminated by ast months' nonce in wrange.

given by either party to the other.

Custodian Agreement dated 16th June 1982 between (1) the Company and (1) the Bank whereby the Company appointed the Bank to act as its Custodian. The Agreement exempts the Bank from hability to the Company nor due to its wilful misfeasance, regligence, but faith or reckless disregard of duries. The Agreement may be terminated by six months' notice in writing by either party to the other.

Secretaries, Registrat and Transfer Agent Agreement dated 16th June 1982 between [1] the Company and (2) the Bank whereby the Company appointed the Bank to act as its Secretaries, Registrat and Transfer Agent.

Subscription and Redemption Agent Agreement dated 16th June 1982 between (1) the Company (2) the Manager and (3) The Bank of Bermuda (Guernsey) Limited whereby The Bank of Bermuda (Guernsey) Limited was appointed a subscription and redemption aftern of the Company.

Voting Rights

The Bye-laws provide that, subject to any special terms as to woring upon which any shares may be like Bye-laws provide that, subject to any Seneral Meeting on a show of hands every shareholder issued or may for the time being be held, at any General Meeting on a show of hands every shareholder who is present by a duly authorised who (heing an individual) is present by a duly authorised who (heing an individual) is present by a duly authorised proposessative shall have one vote, and on a poll every shareholder who is present as aforesaid or by proposessative shall have one vote, for every \$1 nomical amount of share capital of which he is the holder.

Amendment of Bye-lass:

The Bye-laws provide that no flue-law may be rescinded, altered or smended, and no new Bye-law The Bye-laws provide that no flue-law made made made to be Directors and passed at a subsequent made made passed by a particular of mot less than 75 per cent. of such members of the Company'ss, being establed so to do, vote in person or by proxy at that meeting.

Mireliaronic

The Company has not established a place of business in Great Britain and does not have any subaldistries.

No inleation or claims of material importance are pending or threatened against the Company. The managem amount which to the opinion of the Directors must be raised by the issue of shares in order to provide for the motion referred to in paragraph 4 of the Fourth Schodule to the Companies Act., 1948 in \$3,000,000 made up as follows:

Purchase price of property, ail.

Preliminary expenses and commissions, \$151,000.

Repayment of moneys borrowed in respect of any of the above, not Working capital, \$2,849,000.

ntioned above, a commission of 50 cears per share substribed is payable to the Manager. The staff of the Manager is payable to the Manager. The Pear, Marwick, Mitchell & Co have given and have not withdrawn their written consern to ment with the inclusion of a copy of their report make form and context to which it is

There were attached to the copy of this Prespectus delivered to the Registrar of Companies in England copies of the contracts referred to above under "Companies" and the content of Pest, Marwick, Matchell

ees of the following documents will be available for inspection at the offices of Slaughest and Mary, seemphall Street, London ECEV 5DR on any weekday (Saturdays excepted) during mortial ness hours until 9th July 1982:

the Act of the Bermuda Legislature under which the Company was incorporated; the Aye laws of the Company; the contracts, referred to under 'Contracts' above; and

- Dated 17th June 1982 Copies of this document with application form may be obtained from: The Bank of Bermuda Limited, Rank of Bermuda Building, London EC2. Hamilton 5-31, Bermuda.

The Bank of Bermuda (Guernsey) Lumited, Julian's Avenue, Sr. Peter Port,

the report and consent of Pean, Marwick, Machell & Co.

Samuel Montagu & Co. Limited, 114 Old Broad Street, House Govert Limited. Heron House, 319/325 High Holbert,

Loadon WC1

APPLICATION FORM

The Bank of Rermuda Limited.

Corporne Trust Department, Bank of Bermuda Boilding, Hamilton, Bermuda.

The Bank of Bermuda [Guernsey] Limited

Bermuda House, Sr. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands. The Directors of Forexfund Limited

I'We hereby acknowledge that I'We have received and considered the prospectus dated 17th June 1982 relating to Forexfund Limited and that this application is made on the terms thereof and subject to the provisions of the Bye-laws of Forexfund Limited. _shares of Foresfund Limited. (Note: the minimum holding for each applicant is 2,000 shares.) .

3"(i) I/We confirm that payment of USS. has been made by telegraphic transfer to Classe Manhattan Bank of I Chase Manhattan Plaza. New York, NY 10015 for the account of The Bank of Bermsda Limited, (Chips UTD No.005584 and account No.001-1-06724b) sub-account Forestiand Limited.

(ii) 1/We enclose a cheque in favour of The Bank of Bermuda (Gue:nsey) Limited for USS________and undertake to the Company that such cher on first presentation.

"(iii) I/We confirm that payment of "Li" DMV"5w Fr has been made by relegraphic transfer to Midland Bank plc, International Division of 60 Grace-hurch Street, London EC3P 18N for the account of The Bank of Bermuda (Guerrasey) Lamited ("account no. 491498 (for payments in pounds sterling)." acrount no. 680[26791(for payments in deutschemarks), "account no. 68167922 (for payments in Swiss Francs)] sub-account Forexfund Limited and Swiss Prancill sub-exceeding reversing a Limited and liwe authorise The Bank of Bermuda (Guernsey) Limited as mylour agent and for mylour account to purchase with such moneys US dollars as soon as practicable after conformation of receipt of the telegraphic transfer and to pay such US dollars to Clase Manhistran Bank for the account of The Bank of Rermuda Limited aforesaid.

(Nate "Delete whichever is an appropriate.) (i) I confirm that: 7(1) I am not a United States person (as defined above).

*(b) I am a United States person but an applying as a nominee of a person who is not a United States person and who is not acting directly or indirectly for or on behalf of a United States person.

(Note: "or the case of a ringle applicant, delete eather (a) or (b) and (ai) below) We confirm that: *[22] None of us is a United States person. (b) One or more of us is/are United States person(s) but we are applying as combaces of a person who is not a United States person and who is not acting directly or indirectly for or on behalf of a United States person.

(Note: "in the case of joint applicants, delete either (aa) or (bb) and (i) above).

N.B. (A) Arrangements can be made with the Bank for shares to be held in the name of a nominee of the Bank or under a trust in Rermuda Please tick here it you require further details. (B) A confirmation note will be sent upon acceptance of this application. Share certificates will be mailed at the risk of the person(s) entitled thereto and, f there is more than one applicant, will be mailed to the address shown above If on conversion into dollars the application moneys are insufficient to pay in full the subscription price of the shares applied for, this application shall be treated as an application for such lesser number of shares (including fractions of a share to the nearest one hundredth of a share) as may be subscribed with such application moneys provided that such lesser number is more than 2,000. If such lesser number is less than 2,000 the application will be rejected.

THE WEEK IN THE COURTS

Lord Denning and his pet aversion

T. S. ELIOT's aphorism that the individual worker had the they should adopt express closed shop. But in this instance end of the world "came not freedom to join a trade union expulsion rules in order to it is anything but clear whether with a bang, but a whimper" will certainly not be applicable ordered to join any trade union direction of the disputes com- garded as a breach. to the end of Lord Denning's without having a say in the amazing judicial career. The Master of the Rolls, who stands down in five weeks after 38 years of judicial office, gave a thunderous judgment on Friday, excoriating the trade union movement for treating a worker and remain with the union of as a pawn on the chessboard" of inter-union disputes. 1 Lord the freedom of the trade union Denning was deploying all his movement to organise itself judicial and literary talents effectively.

against his pet aversion. visory Staffs (ACTSS), a subsidiary of the Transport and Workers Union (TGWU). Dissatisfied with the conduct of the union's affairs. Mr Cheall resigned and joined a rival union, the Association of Professional and Executive Clerical and Computer Staff (Apex). ACTSS complained to the Trades Uoion Congress that Apex was in breach of the Bridlingtoo agreement of 1939 providing for the resolution of disputes between unions over membership. The disputes committee of the TUC adjudicated that Apex was "poaching," and ordered that Mr Cheall's membership of Apex should be terminated io accordance with a rule of the union. Mr Cbeall did not lose his job after he had heen ejected from Apex (which he had represented in the union's dealiogs with the employer, Vauxhall Motors) because there was no closed shop at Vauxhall, but he sued Apex for a declaration that he had been wrongly expelled by the uoion.

black and white terms. The mended to affiliated unions that association in the form of the

RACING

BY DOMINIC WIGAN

AFTER the glitter and pagaentry of Royal Ascot, where

£500,000 prize money was distributed among such relatively

new but staunch supporters of

British racing as Sheikh Fahad

Maktoum al-Maktoum and his

is not surprising to find a some-

Ascot losses. Following after-

events.

proportion of the

whatever it lacks in

what drab look about today's Bracadale and Wintergrace.

of his choice; he was not to be matter. Whatever might be the consequences—in this case the possibility of industrial chaosprinciple had to prevail over industrial convenience. But 8 worker's freedom to join a union his choice confronts headlong

Mr Cheall is certainly not the Mr Ernest Cheall was a first person to feel aggrieved at member of the Association of the "anti-poaching" rules which. Clerical Technical and Super- prevented him from remaining a member of the union of his choice. As Lord Justice Donaldson observed in his telling dissent from Lord Denning. there is an inherent and inevitable conflict between the needs of trade unions to avert industrial strife and the wisb of individual workers: "The conflict is only one of the many intractable problems industrial relations, and it is not one which indges can resolve." Lord Justice Donaldson could find no trace of unfairness towards Mr Cheall in Lord Dennin the way that the trade union movement bad dealt with his

Throughont the years the Lord Denning saw the issur in ing." In 1956 the TUC recom-violation of the freedom of

on the Sussex course.

nossibility of winning rides on Lord Wimpy.

shire track. The main purpose

hrother, Hamden al-Maktoum, it of his visit appears to be the the four times recent winner,

quality is undoubtedly made up respectable form since winning seen in public since finishing a

for io quantity as regards the a Crown Plus Two Apprentice close fifth of 21 behind Moniar

Ascot losses. Following after- without managing to defy big in the first half of last month. noon programmes at Brightoo weights. It was his inability to But she is said to bave been

and Pontefract there is night quicken against flures sprinters, going well at home since that

allow them to expel members on Apex's ection would be remittee. Rule 14 of Apex's rules provided that "notwithstanding Human Rights, exactly a year anything in these rules the ago, ruled on the executive council may, by giving British Rail workers who were six weeks' notice in writing, dismissed from their employterminate the membership of any member, if necessary, in order to comply with a decision of the disputes committee of the TUC." Lord Denning thought the rule did not comply with the fundamental principles of free-

dom of association and fairness towards members. In the past the disputes committee's awards have sometimes appeared rather rigid and bureaucratic. in that they ignored the rights of the members involved in the disputes. Since the awards of the disputes committee are not legally oinding on the individual workermembers, and are generally implemented by a provision such as Rule 14, there is much to be said for the disputes com-mittee giving the worker the opportunity of stating his reasons for continued membership

Lord Denning sought support for his sweeping condemnation of trade union interference with the worker's freedom to join a union of his choice from disputes committee of the TUC Article 11 of the European Conbas made awards between con- vention on Human Rights. He testing unions. The difficulty said courts in the United Kinghas occasionally cropped up that dom should themselves give said courts in the United Kingits awards have no legal force; effect to the Convention rather the only sanction is disaffiliation than force the citizen to go to from the TUC, or suspension of the European Commission in the errant union. The law in the potential past obstructed implementation of an award where union rules body declaring the UK Governdid not contain a power to ex- ment in breach of the Convenpel a member following the tion. He assumed that Mr TUC finding of union "poach- Cheall's case presented a clear

Bracadale will clearly bave

James Bethell in preference to

Wintergrace.

at Wolverbampton, below him in the handicap,

Lester Piggott, for whom his work cut out to give

be-beaten 11th Gold Cup on the unpredictable but victory—rarely visits Pontefract talented Och Aye. At 33 lbs

these days and it is interesting below Plggott's mount in the

to find him at the South York- weights. Och Aye represents

Bracadale, a tough son of assured favourite for the Poote-

The Brianstan, has maintained fract Maiden mile, has not been

race at Goodwood last month to a maiden event at Newmarket

E.H.R.R. 38. Justinian

where the card is due to close which brought about his down-market position is likely to be some 74 hours after the fall at Leicester nine days ago. justified. A chestnut adangater of Northern Dancer, Wintergrace Ascot was another memorable upwards of 15 lbs away all again finds herself, in a 21milestone in his career—high-round in the Martin Group runner field for which dangers lighted by a probably never-to- Tropby, and I prefer to rely in the shape of Wynnwith Boy

When the European Court of

ago, ruled on the case of thiree

ment because they refused to

join a union in a closed shop

within British Rail, it did not

outlaw every aspect of the closed

shop.2 The court said that it was

not reviewing the closed shop

as such in relation to the Con-

vention nor was it expressing

quence or form of compulsion

which it may engender." I

limited itself to the effect of

the system on those three appli-

cants. It went on to say that

trade union may not always be

contrary to the Convention.

compulsion to join a particular

.It was only because a threat

of dismissal involving loss of

livelihood was such a serious

form of compulsion that the

three British Rail workers were

successful. Even if Mr Cheall had suffered any loss of liveli-

bood (which he did not) it is

not at all certain whether the

European Commission initially

nr the European Court ulti-mately, would uphold his claim.

It is conceivable that it would

say that the restriction Rule 14

was justified as necessary in a

would escape the breach of the

freedom of association. It might

the awards of the TUC disputes

1 Cheoll & Aper Times Law Re-

² Young, James and Webster w United Kingdom [1982] 4

encouraging effort, and ber

committee, :

port, June 19 1982.

well conclude that the courts

democratic society, and

an opinion on every conse

BRIGHTON 2.00 Ziman 3.00-Black Mike .. 4.30 My Maravilla PONTEFRACT

and Taking Silk could emerge.

2.45—Gentle Music 3.45—Och Aye*** 4.15-Wintegrace WOLVERHAMPTON

4.45 - Commonty ** 6.45—Bell Island 7.10-Arcbon 7.25-Charbonniel*

TELEVISION BBC 1

6.40-7.55 am Open University Tonight's Choice (Ultra High Frequency only). 10,00 You and Me. 10.15-11.20 For Schools, Colleges, 1.00 pm News After Noon, 1.30 Pigeon Street, 1.55 Wimbledon Lawn At last it's summer and the schedules shine with repeats. Whatever Happened To The Likely Lads? was one of the best comedy series ever, as good as the original Likely Lads, and with scidulous Terry (James Bolam), devicos Bob (Rodney Bewes) - Championships. and prim Thelma (Brigit Forsyth), Dick Clement's and Ian Ia Frenzis scripts got the acting excellence they deserved. This Regional News for England (excluding London). 420 Play School: 445 The Space Sentinels. 5.05 Newsround, S.10 Bine Peter. reek (BBC 1.7.40). Bob gets breathalysed.
Of course if you are a Honduran you will want to watch

your chicos play Northern Ireland (ITV 7.30). Inevitably BBC2 has an interesting programme at the same time as the other two channels. Kenneth Hudson visiting the museums at Grasmere and Scunthorpe which are among the six finalists in this year's Museum Of The Year award. The other big repeat of the day is Frederick Lonsdate's

comedy On Approval, in which two aristocratic couples anticipatemarriage (well, the daytime side of it: this is, the 1920's) to test compatability. Penelope Keith; as usual, makes up for the dull dialogue. (BBC-1 9.25).

PS: Wimbledon starts at 1.55 (BBC-1) and goes on and on and on . . . By 11.00 at night you might even be ready for bighlights of Algeria v Austria (BBC-1).

ANTONY THORNCROFT

BBC 2

6.40-7.55 am Open University. 10.30 Play School. 2.01 pm For Schools, Colleges. 2.20 Wimbledon 82. 7.40 News Summary.

7.45 Museum of the Year.

Crosstoeds. 5.00 Channel Report. 6.30. Happy Coys. 18:58 Channel Late News. 11:30 Aujourd Hui an France. 11:35 Thriller: "Coms Out. Come Out Wherever You Are?" 12:55 am News

GRAMPIAN

8.16 Tony Sings and Buddy Swings. 9.00 The Hitch-hiker's Guide to the Galaxy. 9.35 Human Brain 10.35 Wimbledon 82. 11.00-11.50 Newsnight

Brian Moore. Also high-lights of the France v Knwait game the com-mentator is Gerald Sinstact. 10.15 News. 11.00 World in Action 11.36 Theiller: "Anatomy of

LONDON

9.30 am Schools Programmes

12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Supersavers. 1.00

Thames News with Robin Rous-ton: 130, Van Der Valk. 230

Monday Matinee: "Trader Horn"

stairing Rod Taytor, Anne Hey-

wood and Jean Sprel 4.15 Porky

Pig. 4.20 The Sooty Show. 4.45 Smith and Goody 5.15 Gambit

6.00 Thames News with

6.25 Help! with Viv Taylor

7.30 World Cup '82: Northern

Ireland v Honduras, from the Romareda Stadium

Zaragoza, introduced by

Rita Carter.

7.00 Coronation Street

Andrew Gardner and

News, plus FT Index.

5.45 Neve .---

Gee. ...

6.35 Crossroads.

Terror."
12.50 am Close: Sit Up and
Listen with Lord Beloff. † Indicates programme in black and white

All IBA Regions as Loodon except at the following times: ANGLIA

5.40 News

6.22 Nationwide.

Austria.

7.15 Triangle.

8.10 Panorama.

6.00 Regional News Maga-

6.45 World Cup Report: High-

7.40 Comedy Classic: What-

9.25 Play of the Month: On

11.00 World Cap Report: High-lights from tonights match between Northern

Lakely Lads

Jeremy Brett. 10.58 News Headlines.

Austria.

lights of the matches he-

tween Kuwait and

France, and Algeria and

ever Happened to the

Approval by Frederick Lonsdale, starring Penalope Keith and

Ireland and Honduras,

plus action from France

v Kuwait and Algeria. v

1.20 pm Anglia News. 2.30 Mondey Film Maunes: "Trottle True," starring Jean Kenz and James Donatd. 6.00 About Anglia. 12.55 am Four Into One.

9.25 am First Thing. 1.20 pm North Naws. 8.00 North Tookght. 11.30 Country Focus. 12.00 Top Rank Fights of the 70s. 12.55 am North Headknes. BORDER 1,20 pm Sorder News. 2.30 Film: "Runters of the Reef," starring Michael Perk. 6.00 Lookeround Monday. S.20 Fashion Today. 11.30 The Monte Cerlo Show with Debby Soons. 12.25 em Border News Summary. GRANADA

CENTRAL

1.20 pm Central News, 2.00 The Monday Screen Metimes: "Sachelor of Hearts," starring Hardy Kruger and Sylvis Syms. 2.00 Coserosde. 6.25 Central News. 11.30 Central News. 11.35 Earney Millsr. 12.05 am Come Barney Miller, 12.05 am

CHANNEL 1.20 pm Channel Lunchome News, What's On Where and Woother, 5.20

1.20 pm Granada Reports. 1.30 Our Natural Environment. 1.45 Monday Matinae: The Sundowners, Starring Oeborah Kerr and Robert Mitchum, 6.00 This Is Your Right. 8.05 Crossroads. 6.30 Granada Reports. 11.30 Cangor UXB. HTV

1.20 pm HTV News: 2.30 Monday Metines: "Gaordie," steering Alasteir Sim and 8th Travers: 8:00 HTV News. 10.58 HTV News: 11.30 Mennix. HTV Cymru/Wales—As HTV West Cymru/Wales—As HTV West 12.00-12.10 pm Dacw Mam Yn 4.45-5.15 Sêr. 6.00 Y. Dydd.

SCOTTISH

1,20 pm Scottish News 2,30 Monday Metines: Forbidden Knowledge sterring Adthony Outre, Angle Otckin-son and Broderick Crewford. 5.16 Traveller's Taleo. 5.20 Crosspoads. 6.00 Scotland Today and Camedesk. 11.30 Lete Call. 11.35 Nero_Wolfs.

TSW

1.20 pm TSW News Headines: 5.15
Gue Honeybun's Migric Britidays. 5.20
Crossroeds. 6.40 Today South West.
6.30 Heppy Beyt. 13.00 TSW Late
News. 11.30 Posteoript. 11.35 Teniters.
"Come Out. Come. Out. Witersver You.
Are." 12.55 am South West. Wester,
and Shipping Foresest.

TVS 1.20 pm TVS Naws, 2.30 Forbidden Knowledge (TV minne); sterring Anthony Quinn, Angle Dickinson and aroderick Crewford, 5.15 Watch This Space That Monday Evening

TYNE TEES S.20 am The Good Word. 9.25 North Seat-Nave. 1.20 pm North Saist News and Looks round. 2.30 Monday Matines: 8 Wide Spirit. starring Rex Harrison and Margaret. Rutherford. 8.00 North Saist Nave. 8.02 Crossreads. 6.25 Northern Life wish Forn Coyne. 11.00 Mgrist. Life wish Forn Coyne. 11.00 Mgrist. Last News. 11.30 Hill Screet Glass. 12.25 am Jalem.

ULSTER

YORKSHIRE

129 pm Calendar News 12.30 Mon-day Manines: "Cardonard Cavaller." 8,00 Calander (Emby Moor and Sel-mont editions). 11.30 Lou Grant.

(8) Stereo broadcast when broadcast on VHF)

RADIO 1

E.00 am As Radio 2 7.00 Miks Read, 9.00 aimon Bates. 11.30 Oave Lea Travis. 2.00 pm Stove Wright, 4.30 Richard Skunser. 7.00 Stavm Alva Nichard Skunser. 7.00 Stavm Alva Nichard Skunser. 10.00-12.00 Mark ERan (\$).

VHF Radios 1 and 2—5.00 am With Redio 2. 2.00 pm Don Ilurbridge (\$). 4.00 Colin Barry (\$). 5.46 News. Sport. 6.00 John Ounn (\$). 8.00 Folk on 2 (\$). 3.00 Humphray Lyttelton with the Best of Jazz (\$). 10.00 With Radio 1.12.00-5.00 am With Radio 2.

RADIO 2 . S.00 am Ray Moore (S). 7.30 Terry Wegen (S). 10.00 Jimmy Young (S). 12.00 Glora Humnigrd (S). 2.00 Wimbledon 82. 7.00 John Ounn (S) (conmised from VHF). 7.45 World RADIO

Cup Special: Hondurae v Morthern Ireland from Ls Romarade Stedium.
Zaragoza. 10.00 Funny You Saoutd Ask. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthaw with Round Midmight (stereo from midnight). 1.00 zm. Encore (S), 2.00-5.00 You and the Might and the Music (S).

Records (S). 4.56 News. 6.00 Mainly for Pleasors (S): 6.25 Music for Organ (S). 7.00 Independence Poem by Andrew Motion. 7.30 A Polish Concert from the Sebelduskirche. Nuramberg, part 1: Penderecki, Wackiw Szamond. Mikolaj Gomelka. Zielenski (S). 8.26 A Country Tapestry. 8.46. A Polish Concert. part 2: Penderecki, Szerzynski, Zielenski (S). 8.40 Araby (short story by James Joyce). 9.55 The Influence of Fantasy (S). 10.36 Six From South Kensington by Colim McLaron. 10.45 Jare to Biftain (S). 11.15-11,18 News;

the BBC Sound-Archives, 8.57 Weether, savel, 9.00 News, 9.05 Seath the Week-with Richard Baker (5), 40.00 News, 10.02 Money Sox, 10.30 Daily, Service, 10.45 Moning Story, 11.00 News, 11.03 Down Your Way visits Astrophysical Research, 12.00 News, 12.00 News, 12.00 News, 12.07 The Cay Job, 12.55 Weether, craval, programme news, 1.00 The World To. 1.05 News, 1.55 Selpting, Foregraph, 2.00 News, 2.02 night) 1.00 am Encore (S). 2.00S.00 You and the Night and the Music
(S).

RADIO 3

6.55 am Weether. 7.00 News. 7.05
Morning Concert (continued), 8.00
News. 9.05 This Weet's Composer.
Purcell (S). 10.00 SBC Concert
Orchestre at Bedford (S). 11.35 LauluMethet Mele Voice Chenr. (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Weet's Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Weet's Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Concert (S). 2.05
Memine Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Concert (S). 2.05
Memine Concert (S). 2.05
Memine Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Concert (S). 2.05
Memine Concert (S). 2.05
Memine Concert (S). 2.05
Memine Concert (S). 1.20 pm
Calo and Piann racked (S). 1.00 News.
1.05 agg Concert (S). 2.05
Memine Concert (

Memo from

HE BANK

To The Bank Secretary

From The Banker

Subject Balance Sheet/Report and Accounts

The Banker has introduced a forwarding service for readers requesting copies of the full accounts of banks which have advertised a summary of their balance sheet in The Banker. In addition your advertisement is indexed in each issue for 12 months thus extending its effective working life throughout the year.

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A FINANCIAL TIMES CONFERENCE

Business Reorganisation

-A BALANCING OF INTERESTS

Hotel Inter. Continental, London, July 12 & 13, 1982

This two-day conference, which follows the publication of the Cork Report, will examine the current state of the Law and its practical applications and will pose the question 'Is there a better way?'. A feature of the programme will be a comparison with American Law and Practice.

Speakers will include:

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Sir Kenneth Cork, ase

Senior Partner Cork Gully & Co Mr S A W Carslake Assistant General Manager

Barclays Bank plc Mr F G Fisher, Jr Senior Partner & Head of **Commercial Practice**

Hale & Dorr, Boston

Mr Muir Hunter, ac Member of the insolvency Law Review Committee

Mr W G Mackay Partner Ernst & Whinney:

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Mr L R Pincott, cae Former Chief Executive Stone Platt Industries Ltd

Business Reorganisation

-A BALANCING OF INTERESTS

A FINANCIAL TIMES

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Scargill rejects plans for pension fund investment

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BUSINESSMAN'S DIARY

(06284 2442)

Date
June 21-24

June 21-27

June 21-27

Title

Royal Highland Show (031-333 2444)

Intarnational Food, Wine and Kitchen Exhibition

July 13-15 Corta London Rome Improvement (01-323 8581)

Environmental Engineering Today International Exhibition end Symposium—SEECO (0763

July 13-16 International Dental Exhibition—EXPODENT (01-835 8200)

July 18-22 Harrogata Gift Fair (0282 867153)

July 26-30 World Congress and Exhibition for Ultrasound in Medicine and Blology (01-486 6582)

Aug. 5-12 International Gifts Fair (01-855 9201)

Sept. 5-12 International Air Sbow (01-839 3231)
Sept. 7-10 Label, Labelling, Marking and Identification
Industry Exhibition—LABELEX (01-467 7728)
Sept. 7-10 International Carpet Fair (021-705 6707)

OVERSEAS TRADE FAIRS AND

June 21-36 International Exhibition of Instruments and Equip-

June 22-26 International Port Technology Exhibition —
PORTECH (08833 6155)

June 28-30 Videotex Exhibition (09274 28211)

June 29-July 1 Temperature and Transducer Conference and Exhibition — SENSORS AND SYSTEMS (02802 5226)

July 1-3 (02802 5226)

July 1-3 (0483 3885)

July 21-24 Security Asia Exhibition (0483 38085)

July 31-Aug 3 Hamburg Trade Days (0202 732548)

Aug 11-15 International Trade Fair for Hotels, Restaurants,

Aug. 19-21 Enternational Trade Fair for Hotels, Rescaurants.

Catering and Food—HOTELRES (01-681 7688)

Business Equipment and Computer Exhibition —

COMBEX (0483 38085)

Aug. 19-21 International Electronic Packaging and Production

Equipment Exhibition—INTERNEPCON (0483 38085)

Aug. 27-29 International Men's Wear and International Jeans

38085)
Aug. 27-29 International Men's Wear and International Jeans

Fair (01.730 4645)

Aug. 30-31 Fashion Samples Fair—INTERCHIC (01.749 3061)

Aug. 30-Sept. 2 Indro-Perfumery Exhibition (01-486 1951)

June 21-22 FT Conference: Portugal-a new outlook (01-621

June 21-22 FT Conference: Portugal—a new outlook (UL-521 1355)

June 21-22 FT Conference: The Economics of Natural Gas Development (01-621 1355)

June 21-22 AMR Intercational: Cable casting in Europe—tha commercial future (01-362 2732)

June 22 CBI: EEC Competition Policy in 1980s (01-379 7400)

June 22-24

The Laboratory of the Government Chemist:
International Conference on Laboratory
Design and Servicing (01-928 7900)

June 23-24

The Aviation Business Centre Energy needs
sviation (01-348 4444)

June 23-24

The Aviation Business Centre Energy needs sviation (01-439 1330)

June 24

LCC: Berlin (01-248 4444)

June 25

ESC: Refusal to supply—cramping consumer choice? (057 282 2711)

June 28-30

IAFEBIEE: International energy markets—the changing structure (057 282 2711)

June 30

Energy Business Centre: Engineering Contracting and Sub-Contracting in UK Oil and Gas Projects (01-439 9021)

July I

Institute for Fiscal Studies: Developments in American tax polley (01-828 7545)

MSS Computer and Business Consultancy: Management by objectives (Worthing 34755)

Enargy Business Centre: Chica Offshore (01-439 9021)

July 8

CB1: The Protection of Hearing (01-379 7400)

July 8

CB1: The Protection of Hearing (01-379 7400)

July 9

ESC: Sponsorship—New media, naw developments, new projects (057282 2711)

FT Conference: Business reorganisation — a balancing of interests (01-621 1355)

July 15

The Henley Centre for Forecasting: International business prospects (01-333 9961)

American Chamber of Commerce: The Role of the EEC Institutions and the Major Current Issues Affecting Business (01-739 3176)

July 19-20

IARC: Power and Political Behaviours in Organisations (01-486 6106)

BUSINESS REORGANISATION—A BALANCING OF INTERESTS

THE ECONOMICS OF NATURAL GAS DEVELOPMENT

London - 12 & 13 July 1982

Venice — 21 & 22 June 1982

address for registration is given below.

London ECAR 9AX

Allender Sand Sand Andrew Transport

All enquiries should be addressed to:

The Financial Times Conference Organisation

Minster House, Arthur Street,

Wine and Beer Festival [01-778 1256]

ment for Cardiovascular Treatment and Cardio-surgery—CARDIOLOGY 82 (01-235 2423)

BUSINESS AND MANAGEMENT CONFERENCES

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

This important conference, which follows the publication of the Cork Report, takes place in a year when insolvencies have often been in the news and in fact bave become a matter of wider public concern. The conference will look at existing law and practice and at the American system by way of contrast, which has great emphasis on judicial supervision. There will be a review of the Cork Report and the conference will pose the question "Is there a Better Way?"

Under the Chairmanship of Lord Beoson, Bank of England and Muir Hunter, QC, the speakers will include Sir Kenneth Cork, Cork Gully and Co. Mr W. G. Mackey, Ernst and Whinney: Mr S. A. W. Carstake, Barclays Bank plc, Mr R. A. W. Rudd, Rowe Rudd & Co. Ltd.; The Hon Thomas W. Lawless, Bankruptcy Court, Boston; and Mr L. R. Pincott, Stone Platt Industries Ltd.

Venice—21 & 22 June 1982

Who Financial Times is pleased to announce that this major international symposium is to be addressed by Mr Mostafa Kamal El Ayouty, Deputy Chairman, Exploration and Production, Egyptian General Petroleum Corporation (EGPC), who will complement Ir Wijarso, Mr Adrian Lajous Vargaa and Dr Tongchat Hongladaromp in the section of the seminar devoted to developing country perspectives. This Venice meeting to he beld just after the IGU meeting in Lausanne has drawn expert speakers from Europe, the United States, South East Asia and Latin America. The meeting is structing senior bankers, officials, enargy company executives, consultants and top management from the equipment sector. The total number of registrations that can be taken for this highly specific and practical meeting is limited. Some places still remain available and the address for registration is given below.

miners' pension fund for overseas investment have been thrown into disarray by rejection of the proposals by Mr Arthur Scargill, president of the U.S., where the fund already

the National Union of Mine-workers.

Mr Scargill's firm response to the fund's proposala, coupled with a week-end speech warning of new pit closures, clearly indicate the difficulties facing of new pit closures, clearly indicate the difficulties facing Mr Norman Siddall, new chair. man of the National Coal Board. whose appointment is expected to be announced formally either today or tomorrow.

Both the NUM and the NCB have representatives who form the joint trustees of the £1.4bn miners' penaion fund, to which all the 250,000 miners make paymants.

At a recent meeting to discuss future investment strategy the fund's investment advisers put proposals to increase the level

Aug. 12-14 Sept. 5-12 Sept. 7-10

15 per cent of the fund's assets.

and the meetiog was adjourned. NCB officials will try for a resumed meeting
Mr Scargill said yesterday:

"The union trustees have refused to authorise the plan because of its overseas investment. 1 am told hte move is that. We believe our position is perfectly clear and justified."

He said he would continue to block the scheme until the proposals for overseas investment were dropped.

The money should be invested

UK TRADE FAIRS AND EXHIBITIONS

of overseas investment from in Britain, to create more jobs, the present proportion of about though the NCB insisted that 85 per cent of the fund's invest-ments, a higher proportion than most others, were already invested at bome.

Disclosure of Mr Scargill's blocking of the plans follows a weekend speech by him at the Yorkshire Miners' Gala at Don caster, where he warned miners to be prepared for possible strike action over proposed pri

At least six, and probably more, of the cloaures proposed were in his own old area of Yorkshire, and no ares was immune, said Mr Scargill.

Referring to the campaign to save Snowdown Colliery in Kent from closura, he said: "Miners must recognize that the defence of Snowdown represents the defence of all pits, and the union must atand firm and united in fighting to keep this

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Government expected to raise **NHS** offer

THE GOVERNMENT WILL today meet leaders of the health service unions and is widely expected to improve its National Health Service pay offer in advance of the

Wcdnesday. Prospects of an increased offer being made by British though BR is likely to meet the unions either tomorrow or Wednesday.

BR's largest union bas threatened an all-out strike from a week today.

Mr Norman Fowler, Social Services Secretary, bas celled in the TUC health services committee and the non-TUC Royal College of Nnrsing for discussions this afternoon to bear reports of the efforts of Mr Pat Lowry chairman of the Advisory Conciliation and Arbitration Service, and of the Government's response.

All sides were cautions yesterday for fear of pre-indicing the delicately-poised negotiations. However, there was a clear insistence on the part of trade union leaders that the Government would if it called in the unions with no fresh proposals to put to

One of the most widespread forecasts is that the Government will increase its 6.4 per cent pay offer to nurses to ebout 8 per cent, and raise the 4 per cent offer to other NHS workers accordingly.

Some union leaders yesterday insisted that sueb a move would not be sufficient to avert the current action.

They thought the offer to

ancillaries would bave to be raised at least to match the current nurses proposal. The attitude of the Royal College of Narsing may well

in addition, much of Mr Lowry's efforts concentrated on the Government's longterm proposals for NHS pay. and today's talks may well see an amplification by the Government of previous bints, that ancillaries as well as nurses should be included by such arrangements. On the railways, BR is

hoping to coax its union leaders back into talks following a meeting today of the executive committee of the train drivers' union.

TGWU urges Owen to quit seat over dockyards letter

SY OUR LABOUR STAFF

BRITAIN'S LARGEST union. Transport and General Workers, yesterday called for the resignation from his parliamentery seat of Dr David Owen, who is fighting for leadership of the Social Democratic Party with Mr Roy Jenkins.

The TGWU is angry about a letter from Dr Owen to trade unionists in Devonport dockstituency which asks them not to support the campaign against closure by workers in the Chetham dockyard,

Mr Mick Martin, TGWU public aervices national sacretary, said yesterday that Dr Owen was trying to set one dockyard worker against another in order to save his seal. Officials pointed out the narrowness of Dr Owen's majority over the Conservatives in the last elec-

In a reference to a recentlyfailed SDP parliamentary candidate, Mr Martin said: " I believe he should have the integrity of Bruce Douglas-Mann and give the Devonport voters the opportunity to decide whether they want him to continue as their

Dr Owen'a private letter says: I do not believe it possible for the Government to continue all four dockyards at present capacity and present

Chetham is retained there will be cutbacks in Devonport. " I did therefore want to urge you not to give support within Devonport for the retention of Stressing that this la not a "selfish argument." Dr Owen warns of the possibility of a loss of 4,000-5,000 blue-collar Civil Service jobs at the

Devon vard. On the Falklands, Dr Owan says: "I am fairly sure that the Government will decide to retain a slightly larger fleet which I would welcome, provided we do not learn the wrong lessons from the Falkland Islands crisis and continue with

a hig ship navy." The Government has issued confidential advice notes to local authorities on the payment of social security benefits tion by white-collar civil seryear forced benefit payment to be switched to be switched to local councils. In a letter to councils, Mr Eric Caines, regional director of the Department of Health and Social Security, stresses the department's determination to

contain the effects of industrial

However, be adds: "Wa have to recognise that it may he physically impossible for ua to contain the situation ourselves and in these circumstances we levels of employment over the are bound to say that we should next four years. There is no ask local authorities for their escaping the reality that if help."

London Tube disruption over rosters likely today

BY PHILIP BASSETT

UNDERGROUND rail services rosters for its 15,000 Tube in London are liable to serious disruption today over the intro-duction of new timetables. The industrial action would follow increasing disruption during the weekend.

Mr Bob Kettle, secretary of the National Union of Railwaymen's London Transport District Council, said yesterday

workers. Mr Kettle said LT was being and hoped the introduction of the rosters would be deferred. Union officials were particularly angry that the new rosters, which they claim mean job cuts, are to be introduced before any agreement on pay. Pay talks are set for Wednes-

that a complete sbutdown of the Tube system today was "quite likely."

London Transport's (LT) mg disruption on Saturday. The continuous timetable is to come into process on the Piccadilly process of the process of t force today, with new work and District lines were affected.

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offers, accompanied by the required decuments, should be lerwarded, in a double sealed envelope, to the above address.

The auter envelope, which should bear no mention making possible the identification at the tenderer, should bear, in addition to the address at the Ministry of Education and Scientific Research, the mention "A.O.N. at A.O.I. No. 16/82" SOMC "Equipment Mobiliar Oddoublement Bloc des Classes of Amohia de 1'U.S.T.H.S., seumiseien no pae auverr (A.O.N. and A.O.I. No. 16/82 "SOMC" Furnishing Equipment—Division in two of the U.S.T.H.S. Classroom and Lacture Room Black, tander—do not open).

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Notice is hereby given to Bondholders that, during the twelve-month period ending June 14, 1982, nominal UA 1,000,000 have been purchased for the account of the City in satisfaction of the

Luxembourg, June 21, 1982

KREDIETBANK S.A. LUXEMBOURGEOISE

CHILEAN EXTERNAL LONG TERM DEET LAW No. 8962 CHILEAN GOVERNMENT 4:1". COOLINGO RAILWAY 80005

NOTICE IS HEREOY GIVEN that all the outstanding bonds of the above load will be redeemed at par en 30th June 1882 from which date all interest thereon 1882 from which gave all the will cease.

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The usual interval of four clear days will be required for examination.

CHILEAN 5-2 LOAN 1805

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office of N. M. Rothschild & Sons Limited for redomption must have the couper dated its January 1803 and all subsequent coupons, attached.

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LOUGH ACT OF THE BOTTER OF THE 1882 from which days an income at the will cease.
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EDITED BY CHRISTOPHER LORENZ

Why Bendix is set on a path of constant change

David Lascelles looks at the significance of the restructuring which has left the U.S. industrial group with a pile of cash

he using it to lay the founda- one-time the highest return, why plough it into bricks, mortar and machinery? And why be in a hurry to invest in a new husiness when markets are ss uncertain as they are today?

These are the kinds of questions that Bendix, the large U.S. industrial components and machinery company, has stirred in the U.S. corporate world aa its chairman, William Agee. pursues a strategy of what he calls "financial flexibility"or what would be known in " hanging another jargon as

Thanks to some well-timed divestitures over the last two to three years, Bendix has about 540m sitting in the bank and in liquid securities. This equals about a sixth of its total assets. and more than a quarter of its current assets. The money may not be turning out spark-ing plugs, aeroptane wheels or machine tools like the rest af Bendix. (Bendix has not made a washing machine for 40 years, incidentally.) But it is reaplog a hefty rate of interest at a time when operating profits are slumping because of the worldwide recession.

For the first time in 12 years. Bendix expects its profits to he down this year. They were \$453m on revenues of \$4.4bn

Bendix is headquartered in Detroit, a town where they pride themselves on getting their hands dirty, and some of Agee's fellow husinessmen are not too happy about the wav Their he sits on money. thoughts run something along these lines: a business is a husiness: it is oot a bank or a pension fund or an investment Money should produce things, not just more morey. And, anyway, if everyhody did thiogs Agee's way, who would actually deliver the goods?

Agee is a clean-cut 44-year-Beodix at the age of 39 he was the youngest chief executive of

huge pile of cash when it could with Mary Cunningham, his flowing, it also left Bendix 20vice-president tions for future growth? On strategic planning whom be the other hand, if cash offers married this month The affair a year hecauae the proceeds brought embarrassing accusations that Cunningham had not been promoted for her husiness abilities alone. This triggered

a major row at Bendix and caused Agee ta complain of damagiog and hurtful innueodos. But he enjoys the controand claims to feel "very com-fortable" with what he is

"I am a contrarian by

nature," he aays. As Agee explains it, there is more to Bendix's strategy than just a willingness to keep a large proportion of its assets in cash. He helieves that io this day and age it is not enough for management to make the hest of its traditional line of business. Corporate executives should feel free to pull out of unrewarding iodustries and move into new ones or merely

happens, coostantly reassessing the prospects. His underlying gaal has been in cut Bendix's dependence on the unpromising auto market and push the company closer to the forefroot of bigh technology while lopping off some extraneous bits and pieces at

the same time.

pult out and wait ta see what

The company now has, three divisioos: automotive (brakes, engine parts, friction materials), aerospace electronics parts, electronic (aircraft systems, instruments military equipment) and industrial (machine tools, robotics, industrial equipment). But in re-shaping Beodix since ba took over five yoars ago from Michael Blumenthal (who went to Wasbingtoo as Presideot Carter's treasury secretary) he has not heen afraid to shrink the company down-which some people find shocking in this expansionminded age.

His major divestitures bave iocluded automotive subsiold with a financial back-diarles, large forestiv holdings ground. When he took over and a 20 per cent stake in Asarco, a leading U.S. copper producer. The last two were major U.S. corporation bought as inflation hedges and Since then be has, perhaps, sold very profitably.

IS IT "right" for a thriving become best known in the But while these moves filled industrial concern to sit on a world at large for his romance Bendix's bank account to over-But while these moves filled per cent smaller in terms of fixed assets in the space of only were not redeployed.

Agee sees nothing wrong in There is a time to sell and a time to buy, and if they come together that is nice, but it is not necessary."

But while Agee may now be sitting pretty with loads of money at a time wheo interest versy over his husiness tactics and claims to feel "very comfortable" with what he is sceptics say he has only done half the joh. It is all very well to pull out of businesses, but how will Agee manage the

For Agee, though, that misses to make a single huge acquisition which will put it on a new strategic course for good and all. It is the beginning of a process of constant change. The imago used at Bendix is of a train speeding along the traus picking op new caaches at the froot and drepping off old ones at the hack. Sooner ar later, it last winter Agee hought a 7.3 per cent stake in RCA, the per cent stake in RCA, the

that a corporate investor gets conglomerate which suffered a better hargain if he huvs a drastic slump in earnings minority stake in a compsny rather than tsking it over outright. This la hecause minority interests are usually hought at and goaded its new chairman, the company's going share price Thornton Bradshaw, to issue a while complete takeovers command a premium, a phenomenon known in Agee-ese as "tho retail plus, wholesale minus paradox."

What with staying liquid and huying minority stakes here and there. Agee sees bimself moro as a manager of corporate assets than the chief executive of an industrial concern. But how does Agee propose

ACQUISITIONS: 1978-20 per

cent of Asarco (\$128m); 1980

—Warner and Swasey (\$300m); 1981—buy back of 4m Bendix shares (\$256m);

1981-82-7.3 per cent of RCA,

DISPOSALS: 1981-Forest

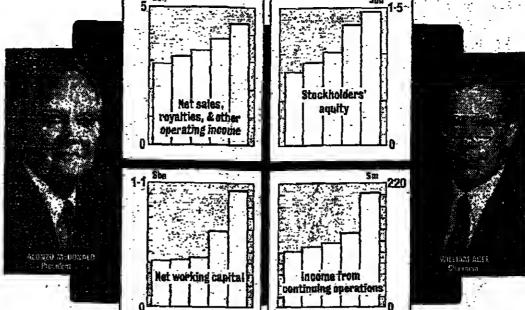
Holdings (\$425m); 1981-

THE CHANGING FACE OF BENDIX

Ducellier

Mobile

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surprisiogly, he is a little secretive about his plans, though he says he is looking at potential acquisitions in the high tech-nology field. Meanwhile, though, he has not been entirely idle. For Agee, though, that misses in 1980, he bought Warner the point. Bondix is not about and Swasey, one of the leading

machino tool makers in the U.S. for \$300m. Early last year he hought back a sixth of Bendix stock in the open market, a popular ploy these days hecause share values are so depressed

drastic slump in earnings because of problems in subsidiaries like Hertz and NBC. The investment stunned RCA bilter deouociation of Agee. including a pointed remark about his "personal affairs."

Agee maintains that RCA is good bet because its problems are fully discounted in the share price, and Bradshaw's efforts to put things straight can only do good. But Bradshaw is baving a tough time turning RCA round, and RCA shares, which Bendix hought for just to spend his cash hoard? Not over \$18, are now just over \$16.

Asarco stake (\$336m); 1980-

Skagit winches (\$16m plus;)

1978-50 per cent interest in

Home

(\$25.8m); 1981-United Geo-

(\$26m); 1978-

Corp., oil services,

Systems

essentials, is he not just laying out the kind of conglomerate and Teledyne, which have both amassed huge. loosely strung 81 per ceot five years ago. husioess empires?

1977 '78 '79 '80 '81

Agee recoils at the idea.

"Teledyne has pursued a very
successful strategy," he says. But we do not have the same resources. Also I do not envision the day when our tenacles will be all over the place."
Also, for all of Agee's pro-

testations about flexibility. Bendix is going to be stuck with industrial components and the auto husioess for a long time. as Agee admits.

Alonzo McDonald, the presideot maintains that Bendix serves such a diversified range of the auto market that it will always find some huoyancy somewhere.

Slicing it another way, about half its husiness is in the replacement parts market as opposed to the original equip-ment market. Traditionally when one is down, the other is up: if people are not buying new cars, they are buying bits to keep their old ones going. And about half Bendix's vehicle husiness is in trucks, half in cars. By the time you shake all that down, it means only 10 per cent of Bendix's sales are to the U.S. new car market, which has suffered the severest decline.

McDonald expects the next few years to be a " tough grind ' when Bendix will, have to find niches and try to become the low-cost producer. But after that he foresees "terrific husiness" as the U.S. goes through a phase of sweep-

In the longer run Bendix

But if one strips Agee's expects to expand around its philosophising down to its hare automotive business and strengthen its position in faster growing markets. McDooald strategy perfected by masters of says that five years from oow the art like Gulf and Western autos will account for 30-35 per ceot of profits compared with But stimulating though the

rapid pace of chaoge at Bendix must be, it is also exhausting and-for employees sitting in coaches about to he dropped off at the rear-demoralising. Agee concedes that this is a problem and he tries to tackle it hy being caodid about his plans, though not always with desired results jodging by the sounds of dissent that occasionally escape from Ben-

dix's offices.

much money is also a mouthwatering takenver target, which means Agee must look to his defences as often as be scours the horizon for fresh conquests. Bendix's market capitalisation is about \$1.1ho. But a potential acquirer would only have to put up \$600m hecause be could finance the rest of the deal with Bendix's own cash. Agee claims be loses no sleep over that danger, if only because a large chunk of Bendix stock is owned by company employees who, he thinks, would stick by him.

company that owns so

But whatever his own em-ployees and his fellow businessmen might think of him. Wall Street likes Agee. His piles of cash, the prospect of huge deals and the excitement be generates makes for a lively stock and potential for rewarding mergers and acquisitions business. Even though Bendix : depends or cyclical markets which are all major stockbrokers rate it

were lost and the company had

to shed well nigh a third of its

workforce to match the size of

lt suffered in particular, from the loss of major Iranian

contracts after the 1978 revolu-

tion; and was hit by the MOD

decision to reduce the size of

the Royal Navy surface fleet. Civil orders for MADGE, the

helicopter microwave landing

system, did not ma'erialise.

MEL is now profitable, but that is not the end of the story says Bacon, who is surprised at

the poorly perceived tmage of

MEL. He has appointed a PR agency and had the company

"We have been seen" he-

said in Lorelon recently, "as

highly skilled but almost

Marketing, too, has come

these, he predicts, will be EW.

One or two of the products in-

logotype redesigned.

Invisible

invia ble.

the order hook.

The 'paragons' who hold the key to corporate success

HOW MANY middle managers do you know who, at one and the same time:

Feel comfortable about dealing with change ?; • Hav a clarity of direction which enables them to view sethacks "as temperary blips in an otherwise straight path to a

• Are therough in everything, including their office politics?; • Hava a participative manage-

· Are persuasive, persistont

and discreet?
Such paragons are what Pro-fessor Resabeth Moss Kanter, in an article in the July/August edition of the Harvard Business Review*, calls middle manage-ment innovators. To most of us, the list of their attributes may read rather like a specifica-tion for an idealised executive of all virtues, but Professor Kanter insists that such people

are not extraordinary.

But as many chief executives have learned to their cost they are certainly all too rare. The at the top end of the organisa who are it tion, risk-shy boardroom coll lems mas leagues, or—at the bottom—or develo-recalcitrant trade unionists. It stituency." is on his or her resistance that . Frequent and smooth crossso many hritliant growth strategles have collapsed; equally it of working in teams, and emphasis the apathy or opposition of sis on lateral rather than contact. middle management which has helped torpedo various attempts.

Sandwich.

To mix metaphors distastefully, the middle manager is the filling in the middle of the organisational saodwich; without bim, the corporation loses

In the inimitable words of Professor Kanter, "top leaders' general directives to open a new market, improve quality, or cut costs mean nothing without efficient middle managers able to design the systems, carry them out, and redirect their staffs' activities accordingly."

Nor should senior and top management have an exclusive: claim to the initiation of new ness Review, Boston, MA 02168, Ideas, says Prof. Kanfer. If USA. Telex TWX 710 320 6737, people are to be encouraged to tackle and solve tricky problems,

EDITED BY ALAN CANE

opportunities and incentives to each beyond their formal jobs and use the operation's resources in new ways. Such opportunities can be created through a series of "organisational supports" for innovation.

· Multiple reporting relationships and overlapping terri-tories. These force middle managers to carve out their own ideas and sell them to their peers in neighbouring areas, er to more than one boss; A free and somewhat random

flow of information. "Data flow of this kind prods executives to find ideas in unexpected places and pushes them to combine fragments of information." Many centres of power with some budgetary flexibility. H such centres are easily acres-sible to middle managers, they will be encouraged to make proposals resources.

A high proportion of managers in loosely-defined posimiddle manager can prove a far ments. Those without sub-tougher harrier to change than, ordinates or line responsibilities who are told to "solve problems" must argue for a budget or develop their own

functional contact, a tradition cal relationships as a source of resources, information and supto improve communications and port. These circumstances consultation with the shop floar require managers to get peer require managers to get peer support for their project before top officers approve," says Prof

> . A reward system "that emphasises investment in people and projects rather than payment for past services."
>
> Some of these conditions seem

> to be characteristic of new companies in not-yet-mature markets, Prof Kanter admits. But top decision makers in older, traditional companies can design these conditions into their organisations, and would be wise to do so, she maintains *" The middle managers inno-

votor.": Reprints available from Reprint Service, Horvard Bust

Christopher Lorenz

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TECHNOLOGY

Elaine Williams visits the Royal Signals and Radar Establishment where ...

Defence electronics need more cash

Establishmeot, Britano's oraio centre for defence electronics research, needs more funds to help it keep up with modern

electronics research.
Mr Andrew Smart, RSRE's
director, said the establishment was moving towards more capital inteosive programmes such as the design of very com-plex ailicon chips. "We are short of money to make hest use of the people we've got,"

Cutbacks

Like most Government establishments, it has oot been immuoe to financial and staffing cutbacks. Ovor the past three searchers has failen by about 20 per cent and the establishment is increasingly concentrating oo the tonger term re-search, and handing its findings to others for development. At RSRE, which lies at the foot of the Malvern Hills some right miles from Worcester, centred research is primarily aimed at

rsdar, communications and air

logical achievement and works

year come from tha Department of Industry and the RSRE believes that it must continuo to strenghten its ties with industry to help generate more revenue by selling its expertise. The problem far RSRE is that much of its research is centred around electronics

traffic cootrol systems, used hy

to help British todustry develop In fact, the establishment has won three awards for techno-

closely with Industry. For example work at RSRE has given the UK 50 per cent of the world market for liquid crystal materials which are used for digital watch and other types of Part ef its £40m funds each

which requires expensive investnew electronics devices which ment in capital equipment.

THE ROYAL Signals and Radar find their way into all forms of washrooms say "wash up, bush up and keep our secrets secret," there are many cases where It is willing to share its information to help British todustry. The satellite communications links, go-ahead was recontly given for the processing of silicon. Secret and bis to help British todustry. The satellite communications links, go-ahead was recontly given for which can pick out objects which can pick out objects to help British todustry. The satellite communications links, go-ahead was recontly given for which can pick out objects which can pick out objects to help British todustry. The satellite communications links, go-ahead was recontly given for which can pick out objects which can pick out objects which can pick out objects to help British todustry.

circuits. to important superority in weapons develop-

Despite the constraints, several of its 100 or so research projects have been taken up by can accurately detect even the identified.

Physica group, admitted that ioto production. These include RSRE had a very poor facility new types of liquid crystal dis-RSRE had a very poor facility for making integrated circuits plays using colour, portable compared with Industry. The satellite communications links,

team made proposals to the Government for a £30m to £40m scheme to develop advanced silicon chips for future defeoce equipment. This would match a similar development programme now underway in the U.S. to produce smaller but complex electronic

Such a programme lasting about five years would involve the UK electronics industry with the eventual hope of com-mercial spinoffs. Dr Fawcett has no idea what response the government will make to the proposals which he sees as maintaining

Dr Bill Fawcett, head of the industry and are about to go smaller overhead telephone

of helping helicopters avoid running into overhead cables. In the past six years there have heen more than 40 incidents involving military helicopters.

Lasers

British Aerospace Dynamics is about to start production of the simplest systems devised by RSRE which can detect. only power cables by sensing the current flowing through the wires. It indicates where the cable lies in relation to the aircraft within a range of about

Research has shown that lasers

cable used io the hattlefield. Once a laser is installed, however, it can be put to other uses such as target recognition and terrain following.

Recently, the establishment learly at night. began experiments with its

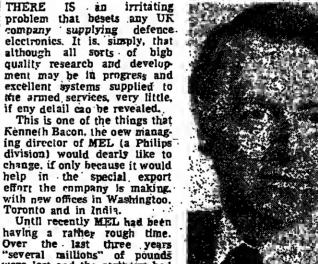
And the organisation has latest version of side scanning found no less than three ways radar installed for flight trisls on a Canherra aircraft.

> Side scanning radar is intended for reconnaisance work. As its name implies it scans to one side of the aircraft so that ao area of interest some distance away from the flight path is covered. The greater the distarget, the safer, in theory in the crew, and the enemy has no idea in which area the aircraft is really interested.

Researchers say that an aircraft can he tens of kilometres away from the target and the clarity of pictures obtained from the radar signals-after Mr Keith Potter at RSRE suitable computer processingbelieves that lasers will eventu- is such that moving objects such ally be used on helicopters. as cars can be seen. Outlines

MEL looks for more visibility

BY GEOFFREY CHARLISH



Kenneth Bacon

Matilda. officialis, is known to examine radiations implinging on the ship from any direction, in frequency hands likely to be used hy missiles.

launcher can be deployed at exactly the right moment. It is essentially a mortar that throws up hot objects behind the ship to misdrect infra-red seeking craft or metal foil clouds (chaff) to confuse radar homing systems. The bridge-gets a quick verbal message— generated electronically—with a rough bearing shown on a simple quadrant indicator.

MEL is also in the business of airborne early warning radar with a system called Scar Searcher. This has a higher under the microscope and Searcher. This has a higher Michael Whileman, from power than aome systems and Ferranti Computer Systems, a correspondingly long (undishas just heen appointed market—closed) range. The equipment will be going on to the Sea will be going on to the Sea organised the company loto scales prevented its deployment in the South Atlantic where it three divisions: avionics, com- in the South Atlantic where, it munications, and electronic is understood, it would have warfare (EW). The greatest of been able to detect incoming aircraft and perhapa seaskimming missiles. Its primary

example, MEL hints that wider The company supplies the use of Matilda by any naval-force would offer about a 70 Royal Air Force, too, and has just won a £2.3m order for EW per cent chance of diverting an incoming missile such as

Electronic colour assay AN ELECTRONIC colour measurement system just intro-duced into the UK by Johne and Reilhofer is transportable and is able to produce a complete spectral analysis of reflected light to give an immediate print-out of the results.

It can provide an accurate evaluation of any auriace painta dyes and inks for example and it onables colour matching to he performed to a, degree of repeatability which, it is claimed, is virtually unobtainable by other methods.

The measuring boad, about the size of a milk hottle, is connected by lightweight cable to a data processing unit. The operator simply applies the head aperture to the surface, antomatically triggering a Xenon flash, the reflected light of which is apoctrally analysed in about 20 milliseconds.

Measured outputs include tristimulus values and chromaticity co-ordinates, a graphic plot of spectral reflection and alphanumeric data of the reflec-tion with a resplution from one-to 30 nanometres. More on 05827 69987.

Welding of studs by drawn arc

AN ELECTRONICALLY centrolled drawn-arc stud welding system requiring no separate power source has been intro-

The system comprises an integrated power source and controller which works of a single phase power supply infive ratings from 200V to 460V. equipment in conjunction with It can weld study from 3mm to 12mm in diameter.

Stock control by satellite on Texaco ships BY ANDREW FISHER, SHIPPING CORRESPONDENT

MAKING MONEY out shipping, especially in the beleagured tanker aector, has tsking these days.

In a hid to hack away at some of its operating costs. Texaco, the U.S. oil group, is installing a new type of maintenance and stock control system—using satellite—on its UK flag ahips. Clearview Associates, Bermula-hased oil consultaocy concern, will complete the first syatem for Texaco Overseaa Tankship (TOT), hased in London, on the 80,000 deadweight tonne Texaco Windsor in September. Installation on other TOT ships—there are 13 in all, including three laid-up -will be completed next spring.

system—the company aays it is unique-can save over a quarter of operating costs. Other ahipping companies are also showing interest and the sys-tem is adaptable to different

According to Clearview, the

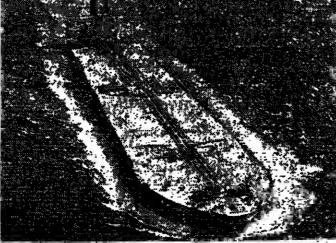
of Business Systems, ta develop the computer system which TOT will use. Trials have already laken place oo the Texaca Windsor. The system with he divided

into three areas: inventory stock control; preventstive maln-(periodic shore work needed on vessels). These phases will operate together. Thus the management leams

oo hoard ships and at fleet headquarters will have up-to-date infuture work plaoning and hudgeting. The telecommunication sys-

tem will use the new INMARSAT satellite to allow two-way links between the HQ and the vessels. The IBM System 34 at the London office of TOT will thus communicate with the IBM System 23 en the aelected ships.

TOT said it chose Clearview CV Internstional, part of the at computerised preventive and shore beadquarters, and Bermuda company, has con- maintenance and stock control tracted a UK company, Altergo systems four years ago.



Texaco tankers will use the satellite system

It decided to go ahead with the project as part of its because of its background in the intended improvement in comworld. TOT began looking munications hetween the fleet devolution of management decision to each ship.

"The decision to undertake the work was taken in order to improve the cost and manage ment of the fleet," said TOT. Texaco is interested in systems like Clearview's so it can use at sea and onshore which was technical skills in the UK and not previously available.

Britain more competitively. "The economics of running

continue to run its fleet out of

British ships are coming under increasing pressure and any gam in technology will help us in this way," it said. Included in the compulerised

inventory stock control system will he a full listing of machinery and spare gear and full reordering information, with approved minimum and maximum levels. Automatic reordering will be possible as the minimum atock levels are

The programme's preventive maintenance facility will have a complete list of work to be done in a five-year period for each vessel. Priority of work. its required frequency, tha budget costs, planned start and completion dates, and estimates of spare parts and manhours by skill needed will be listed.

Thus, said Clearview, management will have critical data

Then, MEL's Protean chaff

beosted by events in the Falk. purpose is detection of surface a Hawker Siddeley subsidiary.

Lands and Middle East. For vessels at long range.



Towards the end of the Bacchanale—a Weinbrenner drawing from a classical fragment

Classicism to our architectural metry of the pyramid, the precise forms of the past. In a best remembered as the architect who gave the city of KarlsHe believed, like the architects rotunda is the architects' idiom, rube its formal heart. He of the Modern Movement, that a medium of expression that can deserves to be better known as architecture is the art of be shared with the past and the a draughtsman and a source of rational construction.

There are particular aspects of Weinbrenner's work that are Weinbrenner was trying to do This well arranged exhibition supremely relevant today. He what some of the more serious shows his growth and training clearly understood the need for architects and teachers are archaeological knowledge which leads to an ability to isolate and

present_

In much of his later work what some of the more serious attempting to do today and that is to establish a -basic archihis own hand. By examining develop the elemental language tecture that has cultural roots his work the relevance of Neo- of architecture. The pure geo- but is not dependent on the

remarkable drawing for a series of uniform facades for the Lang Strasse in Karlaruhe (never executed) he shows that it is possible to dissociate the principles of proportion architecture from the classical

This takes us beyond Neo-Classicism into a world that de Chirico later made manifest.

bia Ideas in the centre of the city of Karlsruhe. In the linked areas of the Schloss Strasse (today Karl-Wilhelm Strasse) and the residential quarters of the city he realised an ensemble of buildings that bas a unity of character equal 10 Helsinki or Leningrad.

The Miot the former Assembly Room, the Evangelical Church and the whole of the Marktplatz show the strength of bis urban vision imposed upon the existing Baroque structure of the city. There are those who sense a certain dryness in Weinbrenner's work but these drawings belie it—they are often remarkably sensitive.

On the first floor at the Architectural Association there is a good display of French Grand Prix engravings dating from 1774 and covering a period of about 40 years. More in the spirit of the Beaux Arts they should be looked at as exercises intended to help the student learn by copying.
In the Members Room, also

on the first floor of the AA. there is a disolay of quite a different character. Zaha Hadid trained at the AA and is now teaching there. She also works on private commissions and this show is dedicated to the designs for a house for her hrother at 59, Eaton Place. London. The acheme for the house is presented by a display of paintings that are explosive

Architectural elements erupt inside tightly cortrolled urban spaces. Nature is kept firmly at hay and there is a chill intensity about her vision that belongs to the unknown future. Her show should he seen, as it is a rare opportunity to see the work of the younger influences that are usine the AA as a base for their guerille activities.

Friedrich Weinbrenner is at the Architectural Association until June 26. the Fitzwilliam Museum in Cambridge from July 13 to August 30, and the For more than 25 years Mackintosh School of Art, Glas-Weinbrenner put into practice gow from October 1.

Drama/Holland Festival

Michael Coveney

copulation, bestial playfulness.

performance" somebow ob-

Controversial premiere from Pina Bausch

I have never seen anything like it. On Thursday night in Amsterdam, Pina Bausch'a Dance Theatre of Wuppertal presented the world premiere of Wolzer amid scenes of euphoria, derision, confusion and astonishment. The enormoua Theatre Carré, which is like a municipal arena with Albert Hall pretensions, was packed to the seams with the city's beautiful people.

Some left, aome booed, some cheered. But after four hours of what must be counted the most extraordinary exercise audience-baiting since the bey-day of the Living Thestre, detractors and enthusiasts alike rose to their feet to salute the company.

Breathtaking insouciance is the hallmark of Pina Bausch'o work, allied to an indomitable hust to expose the personalities of her dancers. Walzer opens with a long sequence of going to war, the company crossing the stage in the formation of spitfire aeroplanes, lying on the floor, manipulating small paner boats and swimming against the nationalistic tides of Afehanistan, Belfast, Israel. Hours later we watch a film of a child being born. On the way.

we have confessional interludes.

structing the process of aelf-revelation. This is expressed most forcefully when Josephine Ann Endicott, one of the two Austrialian girls in the troupe. breaks free to eat an appte and declares that she can do any-thiog she waots. She does so with a ludicrous exhibition of body stretching and tantrums.

Earlier, amid mounting catalls, Arthur Rosenfeld sings a fragile parlour song. An incipient riot in the audience is immediately quelled by a heavily veiled female viaion performing exquisite cartheels around the periphery of the arena. Many of these sequences are repeated, testing

the audience's patience before Ms Pausch suddenly organises something quite new to rivet the atteotion. After the childhirth, a concert is announced. A recording of a Schubert Impromptu is played with the company sitting in silent attendance in a semi-circle This echoes an earlier tableau in which a girl sits motionless tbrough a recording of Piaf'a

La vie en rose."

And yet all ia forgiven and forgotten the minute the company launches into one of those wonderful, beautifully worked out perpetual motion aet-pieces of interwoven, gliding choreography and seductive band

jiving.

Walzer does not provide as

frenzied scenes of eating and much sensual pleasure as the aame company's Kontakthof. A consistent theme is that of nor does it compete with the Proustian density of 1980. But like all Pina Bausch's work, it (does transmit a clinical, dangerous sense of theatrical experimentation. It challenges an audieoce to define its notion of theatre and in so doing, of course, unearths a few stunning possibilities of its own. Equally exhibarating for me

was Enrico IV performed by La Compagnia del Colletivo from Parma in the Theater De Brakke Grond. This conflation of Shakespeare's two history plays is part of a Shakespeare Project I hope to document more fully later to the year. The group has been together for 15 years and finds a stunning resonance in the conflict between anarchy and responsibility that has quite evaded the Royal Sbakespeare Company in

the Barbican. The piece comes across as a rich comment on the evolution in the real world of the headily irresponsible 1968 generation in the Falstaff of Gigi Dall'Aglio.

One senior eritic has complained that the RSC Prince Hal looka as if he has just come off his motorbike. Well, motorbikea feature heavily in this production, as do transistor radios, leather jackets, juke, boxes and playing cards. Purists: may retire to the library andnonder an awful paradox: the 3 Parma collective has done away with directors,

Holloway's 'Nursery Rhymes'/Wigmore Hall

Max Loppert

programmes into which premieres are being enticingly slipped. Between a euphonious much of its detail, struck me as but persistently undervitalized decidely soft-centred. As the Mozart Trin for clarinet, viola, and piano (K498) and the Beethoven Septet, there was on Saturday placed the first public performance of Rabin Holloway's Divertimento no. 3, sub-titled "Nursery Rhymes." This is the shortened version of a work completed in 1977 and first hmadeast two years later—for soprano (here, Rosemary Rosemary

cant. In a series of recent compositions, this most civilized, of traditional in feeling rather material or subject matter. the youneer British composers has evinced a new-found muscular strength of utterance to hinations of solo voice and Divertimenta; a whole expericounterbalance the appealing instrumental statement with ence of it left a sugary satiety.

Hardy) and wind quintet.

has compiled chamber music as this Divertimento, though brilliant in conception and characteristically felicituous in subtitle indicates, it is a song cycle of nursery rhyme settings (words drawn from the Opies' Oxford Dictionary of Nursery Rhymcs) shaped and developed into a full-scale chamber composition-at once diverting and Intricate, childlike in atmosphere and sophisticated in working-out.

In three successive weekend but sometimes rather soft signal virtuosity; and as always concerts, the Nash Ensemble quality of earlier works; where in Holloway, influences (notably, to my ear, Mahler's Fourth vinsky, and Britten passini) are creatively admitted to.

What proves ultimately hard

to swallow is the sheer length. of the piece (what must the even lengthier original he like?). In the elaborately spun Finale, "A gaping wide-mouthed waddling frog" is taken in full from verses one to 12: and a feeling sensed by the listener earlier hardens here orking-out. into conviction, that Holloway's
The Overture announces with Strausdan expertise in devising light-hearted wit a "Boys and and developing shapely forms Those dates may be signifi- girls come out to play" motto; has run on well beyond the the music, framing melodies feraible limits of interest of the than in actual origin, pursues There are moments of true contrasts between and com- height-eved sweetness in the

A Doll's House/The Pit

Rosalind Carne

Adrian Noble's stirring production will surely be lodged in my memory for many years. More than 100 have passed since Ihsen wrote his masterpiece and it still has the power to shock, albeit through the pain of recognition rather than the scandal of what he dared to say. Any treatment of A Doll's House depends, ultimately, on its heroine, and Cheryl Campbell is superb. Yet the doll cannot afford to be superb alone and Stephen Moore lends the necessary balance and intricacy to the text as her busband. This Tornative he may he, but he is also a feeling man, with a glimmer of stultified intelligence. He is both oppressor and victim within the very social system which almost drives his wife to suicide. and we can sense the moral and emolional confusion behind his brutal outburst in the penultimale scene. We understand what he meant to her, and when she leaves we read his pain, head in his hands over the table where they held the only realself-congramiatory nedantry.

Ideas percolate slowly. In the field of architecture it is come-times difficult to detect con-alstent intellectual activity that

is sctually producing results that we can see being huilt around us. Ten years ago the Council of Europe arranged the enormous and beautiful Neo-Classical exhibtion that filled most of London's galleries for

most of London's galleries for

of students and architecta alike. We have yet to see a fully fledged revival of Neo-Classical

boilding but there are plenty of interiors in London that indicate

serious application of the principles. I will be writing

about some of these in future

with particular reference to the

decorators and muralists who bave recently completed good

It is more difficult for archi-tects to realise their ideas and

in England we will have to wait

for the completion of the exten-

sion to the Tate Gallery hy

James Stirline to see concrete

evidence of his conversion to

the canons of classicism. The burghers of Stuttgart will not

have to wait so long as Stirling's

new art gallery and museum

London WC1) there are two fine

exhibitions that demonstrate an

awareness of the architectural

climate and a sensibility to-wards fine drawings and classi-

cal order. Freidrich Wein-brenner (1766-1826), if he is

known at all in this country, is

thinking about the development

as well as his final accomplish-

ments—all through drawings by

of architecture.

there is rising very quickly.

a memorable period.

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discussion of their married life. Graphic images of this past are conjured by the flurry of. events which expose the bypocrisy of their partnership. Nora's brilliance and fun verges on hysteria, but Ms Campbell keeps the mood awings in firm control. She is deeply aensual and can be outrageously provocative, but her strength lies in her ability to switch like lightning when her partner's back is turned. offering us the depth of ber



Cheryl Campbell

Ohviously she is a born manager, capable and realistic and

should do well in the school of profoundly disturbing, both life. It is her husband who bas because of what it must mean lost the foundations of his exist- to him and because of the ence. Her timing is perfect: horror of all it suggests to Nora. whether babbling to ber friend or in the slow, seductive pauses as she shows off her silk stocking to the unfortunate Dr Rank, Rank himself, like all the remaining characters is notably low-key. John Franklyn-Robbins

plays bim as one of those famillar bores who cover their despite the cruelties of the disappointments by street of world she must face, we hold others. After this muted opening, his declaration of love is The doll's house, for all the frantic galety of its Christmaa festivities, is clearly an abode where real love can never exist.

without missing a nuance,

And once you have accepted

fact that after a decade he has got back with best buddle Art Garfunkel, he of the pained expression and the angelic high

. It is quite unperving to sit for song follows classic song, memorable not only for their melody and lyries, their variety past 15 years or more. American bistory, the moods of its young people, can be better learned through Simon's songs than

from any academic treatise. Perbaps Garfunkel's voice has arrangements are funkier. What

Simon & Garfunkel/Wembley

Antony Thorncroft

You do not treck out to matters is grabbing again all the there; the nours of waiting for the artists to appear on stage, has the creativity stopped ?), it is always a shock not to see There was a tremendous them. Are those they figures in ovation for "Bridge over the far distance Paul Simon and troubled water," but 1 was Art Garfunkel? Surely Simon is struck by "Me and Julio"; not that small? But the sound "America"; and Garfunkel's "Bitering through "Bright Eves." About all the system is filtering through "Bright is Simon and Garfunkel songs and lack of n the thousands packed around the front of the stage are going mad, with enthuslasm, waving their arms and whooping with delight. This must be it.

not seeing and stop worrying about the sound quality the whole thing becomes tremendously worthwhile. Really you are paying homage to one of the greatest writers of popular songs of the past generation. Paul Simon, and welcoming the

almost two hours while classic

Wembley Stadium for a con-personal favourites, for quite cert: you go for an experience. rightly Simon and Garfunkel After the travail of getting played their standards, with there; the hours of waiting for hardly a new song in sight (why

lack of posturing, the truth of the lyrics for the writer, the professionalism of the performance, dispelled the bleak surroundings. When, before the long encore, they sang "The Boxer" and the lines "after all the changes we are more or less the same " a great roar of relief came from the vast crowd. While Simon and Garfunkel play the past lives and we have all survived.

BSO names new chief conductor

The Western Orchestral Society has announced that the Russian-born conductor, Rudolf Barshai will become the new principal conductor and artistic adviser of the Bournemouth and the beautifully blended Symphony Orcbestra in Septem-voices in performance, but their ber. He succeds Uri Segal who relevance to the history of the after two years in the post in leaving to concentrate on his work with the Phicharmonia Hungarica and Israel Chamber Orchestra.

Mr Barshai made his debut The translation by Michael Perbaps Garfunkel's voice has with the BSO in 1981 and his Meyer is smoothly colloquial dropped a shade, perhaps the first concerts as principal conductor will be in October.

Buddy De Franco & Terry Gibbs/Ronnie Scott's

Kevin Henriques

and vibraphonist Terry Gibbs, virtuoso meet no ego bruising deeply searching. both hugely experienced musicans in a wide variety of settings, have, rather surprisingly, been appearing together for two years. Their initial joint : appearance was, in fact. In this country at Ronnie Scott'a in June 1980 and hearing them last week back at Scott's (where they remain until June 26) prompts the listener to wonder why it took so long for two

such compatible players to get together and present such thoroughly entertaining jazz. De Franco, whose technique

has been compared favourably with Benny Goodman'a, is a far warmer and, harmonically, a more adventurous improviser opening night De Franco'a ver-than Goodman, also a less sion of Duke Ellington's "All romantic one. Gibbs, the extro-

occurs because of unashamed musical respect.

ganises four and eight bar comparison with Benny Good-exchanges, chase choruses, man and Lionel Hamoton by counterpoint passages, mid-tune playing "Airmail Special," a tempo changes and other devices which ensure listener interest never falters.

Clarinettist Buddy de Franco and firm proof that when two the rest of your life?" was

Apart from the familiar standards some of Gibbs' own com-Their two personalities are positions are included one of complementary. Neither tries which "Samba Wazoo," is a to upstage the other and the breakneck workout for both. De perpetually gum-chewing Gibbs,' Franco fingering fleetly and so whose speed on two mallets is accurately and Gihhs moving at dazzling, ia content during De a furious lick which is a re-Franco solos to comp gentily minder that as a child he won a but meaningfully behind him. talent contest for playing "The The two-set programme is Flight of the Bumble Bee" in . intelligently varied. Gibbs or- 45 seconds! The two even risk

questionable choire. The impressive first night sets were enhanced in no small way Both have solo features - on by the - for once - outstandopening night De Franco's ver- inely sympathetic British rhythm section. Alan Branstoo soon" was movingly treated, combe on piano. Kenny Baldack vert of the duo, is a hard his round tone exuding the on bass and drummer Tony swinger in the Lionel Hampton sone's bittersweetness while Kinsey provide the zestful, mould. The De Franco/Gibbs Gibbs' exploration of Michel swinging hacking the two musical empathy is remarkable Legrand's "What are you doing Americans respond to eagerly."

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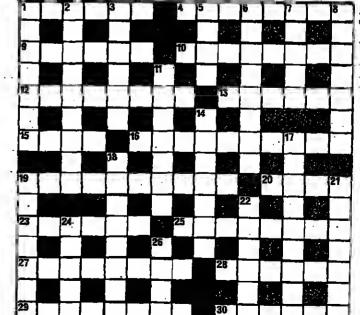
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- 12 Did slope somehow become unbalanced? (8) 13 Told to play stand-off in one's own interests (6)
- 15 You old-fashioned artist returning for a period (4) 6 Writer depressed by censor (4.6)
- 19 December 25 ia modern (7, 3)
- 20 Influence in force (4) 23 Stylish set you begin (6)
- 25 Sit down but not necessarily in church (4, 1, 3) 27 Diagraceful jingoistic bombbast (8)
- 29 Key to puzzle offered by cord -do we switch? (4, 4) 30 Footballer who doesn't go off
- DOWN 1 Capacity of university department (7)
- 2 Team panel, anyway a panel
- 3 Chance to watch TV (4, 2) 17 Meat for idiot to cut (5, 4) 5 Adamson raised to make 18 Material for pallet coming trouble (4)



6 Yorkshire must be aeverely 19 Fight shy of aea area (7) beaten (8)

7 Scene of action found in square naturally (5)

8 Quite enough on one's plate (7)

11 One enters immovable property in all truth (7) 14 Escape? Don't be silly (7)

to flower (8)

26 Single-minded expert (4)

driving (3, 4)

south-east (6)

The solution to last Saturday's prize puzzle will be published with names of winners next

21 Disreputable outfit used in

22 Composed appointment in

24 A conflict over key prize (5)

FINANCIAL TIMES

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Monday June 21 1982

The Militant report

THE REPORT on the Milltant Tendency within the British Labour Party turns out to be a brief, tactful document and in many ways a statement of what was already known.

Clause II Section (3) of the Constitution says: "Political organisations not affiliated to or associated uoder a National Agreement with the Party on January 1 1946, having their own Programme, Principles and Policy for distinctive and separate propaganda, or possessing Braoches in the Constituancies or engaged in the promotion of Parliamentary or Local Government Candidatures, or owing allegiance to any political organisation situated abroad, shalt he ineligible for affilistion to the Party."

The Militaot Tendency bas long been thought to be io breach of that clause. The latest report, commissioned by the Party's National Executive Committee, confirms that belief, though the evidence is not to be published, or at least not imme-

Conflict

The question for the Labour and especially for Mr Michael Fool, the Party leader, is whet to do about it. The report has the merit of offering an initially discreet approach. states that the Militant Tendency is "in conflict with" the section of the Party Constitirtion quoted above and it recommends that "any group found to be io breach of these ricles should be given a period of not more than three months in which to put an end to such infringements." In other words, the Militant Tendency must by about the end of September wben, as it happens, Labour will be holding its annual con-There seems little douht that Mr Foot and a majority of the NEC-though perhaps a small one — will accept this recommendation.

How the Militant Tendeocy and some of its covert supporters will react is, of course, less clear. The Tendency so far has offered only a few tokeo concessions and another far left Labour organisation, the Cam-palgn for Labour Party -sometimes associated with Mr Tooy Benn, seems to be threalening resistance to almost as an act of nature even the modesi reforms pro- because they believed it was the

doubtedly an infikrationist group which has quite different aims from the bulk of the Labour Party. Mr Foot described it some time ago as a "pestilential ouisance." It has clearty made recent Labour Party conferences more difficult and—to the outside observer at least-more unattractive by the way it has concentrated, on mobilising its forces in support of particular resolutions. Its maio objective seems to bave to reform the Party organisation in such a way as to be able to control policy hence the stress on matters like the method of electing the Party leader and who has the fical say in the wording of the Party manifesto. Yet it is a large mental teap

French Government.

the presentation

restraint that they would bite

into public sector investment

and drive unemployment up to

3m. That was the recipe of M Raymond Barre, the former

Prime Minister, and President

Mitterrand would have faced a

revolt if he had proposed it.

believes it can bring roflation

down and keep employment up.

was for France to have pulled

System (EMS), thus retaining the Government's freedom to

pursue its own economic policy

without the constraints of exchange rate discipline. This

was under consideration in the

Cabinet and remains a possi-

bility ahould there be a further

In the end M Mitterrand had

no stomach for the even larger

devaluation of the franc that

this would have entailed and

the retreat of France belind protectionist barriers that

would have put an end to M Mitterrand's hopes of

enlarged European co-opera-

As against these negative factors, the consolation for the Socialists is that they hope

to have preserved their plans for a massive investment pro-

in Britain) is of having pre-

sided over the steady erosion

tion is that the investment to

Industrial

fabric

davaluation.

out of the European Monetary

The other serious alternative

This administration

more nupalatable.

from there to go on to say that the decline of popular support for the Labour Party is due entirely to tha rise of the Militant Tendency. As the report points out, many mem-bers of the Party share some of the Tendency's aims, but are in no way subscribers to the organisation. Still more to the point is the report's remark that the Tendency "can exercise an influence out of all proportion to their numbers simply because many of our affiliated organisations do not take up their full delegation entitlement. In particular, if affiliated trade unions exercised their full entitlement to delegation the influence of the Militants would be negligible at constituency level."

Decline

That is the heart of the matter. The Labour Party is in decline but the main evidence of the decline is that it is losing either disband, or funda- its most natural and traditional meotally alter its arrangements, supporters. That support is supporters. That support is most likely to have been lost hecause the Party has failed to up-date its policies to changing social conditions and failed to maintain its organisation in the country.

The inroads made by the Mllitant Tendency are symplom rather than a cause. Mr Foot will have to fight the Tendency, of course: indeed has no alternative but to do so. Yet the report is subtle in implying that it should not be a fight for its own sake. The principal sim must be to win back those supporters who only a few years ago would bave voted Labour party of fairness and greater Here the roport itself has equality. The formation of the some perlinent observations. It Social Democratic Party has Is a question of perspective. The made the task more difficult, but Militant Teodency is unnot impossible.

How India earns aid

CONSORTIUM to India held an annual meeting of the abject poverty which is in Paris last week and agreed so widespread in India and to provide the country with an which should be the fact most encouraging amount of aid over aid givers focus upon. Poverty the coming year. The disburseis indeed a moral imperative meeting will imply the real in an economy as vast as India's, increase of about 5 per cent in the significance of aid, and the the flow of concessional finance which the country has been hoping for.

because, at a time of recession and widespread budgetary stringency, it is right that the World Bank, the International Monetary Fund and the governmenta of the industrialised countries should co-ordinate their efforts and preserve a reasonable flow of funds to a sub-continent with such undeveloped economic potential.

Caution

The argument is strengthened now that India bas become somewhat less inward-looking and restrictive in its economic policy and has—under the anxious eye of the IMF, which haa been criticised for making too large and too lax a loan to India—imposed a more cautious fiscal and monetary manage-

The annual aid consortium meeting was established in 1957 as a result of a deterioration in India's trade balance, and just such a deterioration threatens again today. The fall in commodity prices and the sustained cost of imported oil has resulted in a marked worsening of India's lerms of trade. In the year lo April 1982 India's current deficit widened from \$3.2bn to \$4.3bn. The IMF and the World Bank both made it clear in Paris that India was pursuing a programme of economic changes more important and promising than any in the past decade and that balance of payment difficulties should not be allowed to scare India back lowards protectionism and stun-

Poverty

Faris meeting objected to this taken for granted.

of macro-economic argument for governments concerned with aid aid: It lost sight, they argued, ments of about \$1.7bn expected behind aid. But it is, important to result before next year's to remember that, particularly The outcome is heartening they do to the scale and the the whole economy. Aid and World Bank programmes can have a big impact on the former, but can do vary little to alter the latter. Viewed from this perspective

looks rather less counterproductive. But the case against aid via grandiose industriat projects, more appropriate to vendor's unemptoymen problem than to the recipient's economic development, still There is moreover, some tendency for industrialised countries to over-emphasise India's new attractions rather in the way they went overboard for China during the 1970s.

The puid pro quo for last

criteria by which It is judged effective, relate mucb more to the balance of payments than direction of investment within

lbe desire of most donor coun-tries to coupte aid with trade

Restrictions

week's concerted action to boost aid to India must be continuing momentum in the Government's Justice. efforts to revitalise business conditions inside India. February saw an encouraging set of measures designed to free the import of espital equipment and thus increase the efficiency with which Indian goods can be produced for export. It was followed in April by a lifting of restrictions on the production capacity of foreign companies and by the larger Indian groups. But the latter measures proved a disappointment: businessmen found that the new concessions to expand capacity were hedged about with conditions and subject to elaborate registration procedures. Tha old habits evidently die bard and the Indian Government's apparent willingness to change its atti-Scandinavian countries at the tude to industry cannot yet be

Socialism with an austere face

FRANCE AFTER DEVALUATION

By David Housego in Paris



Ministers Jacques Defors (left) and Michel Rocard: a sharp tussic over EMS withdrawal

crament is in for a rough patch over the short term, the hope is that France will emerge from the recession with a more. muscular industrial capacity than most of her competitors.

For the radicals within the Socialist party a key element in their coalition partners by the measures, these plans is the "reconquest ears. "They have now to live In the interpolation of the domestic market"— up to their responsibilities as into the ev other industries what has been lost to imports. To achieve these ambitious

mibtants champion even greater rigour now than the Govern-ment is prepared for. The left has its own tradition of austerity unconnected with the "Right wing" stabilisation measures of M Barre in 1976 that had the unions demonstrating on the streets. It was M Pierre Mendes-France (the former Prime Minister and now the "conscience of the left") who unsuccessfully tried to persuade General de Gaulle after the war

gramme to restructure and modern'se French industry using the nationalised sector as the launching pad. The major accusation that they make against M Barre (and even more against Mrs Thatcher austerity. It comes the beels of a year in which France has seen the working week cut: wages rise (hourly of investment and research in Industry, thus leaving France's earnings went up 18 per cent in much At the Elysee the calcula-

in the face comes from the Com- living atandards. munists, and the Communist-led

CGT union. "There is no
question of austerity." Communist leaders bave baen say
munist leaders bave the But believe

caught in the trap that - they vowed they would always avoid

The luxurious splendour that issues went unheeded damag-surrounded the Versailles eco-ing his internstional credibility Socialists did only a week before the that they have announcement of austerity

In the inquest now going on into the events leading up to winning back in machine tools, a Minister said with a grin this the devaluation. It becomes electronics; furniture, toys and week, increasingly clear that M Mitother industries what has been For the Communists are terrand's failure to take. decisions earlier cost France dear in terms of exhausted long-term goals, many Socialist —that of being members of a foreign exchange reserves and

The difficulties ahead in attempting both to bring down inflation and sustain employment are enormous.

Barre preached popularity seemed to bave widening trade deficit, an inflathe first quarter), holidays henchted from the national role early in the year. M. Jacques. At the same time M. Mitter devaluation. lengthened and social security of the Presideory under the 5th Delors, the Finance Minister, rand's acceptance of the goal. Should prese nayments increased. No other Republic to stay above the fray, warned the President in Feb. of greater convergence of and the franc at western nation has lived out the But it would be surprising if his ruary that the deflationary economic policies and bis pressure; the be made in the near future will recession in such glorious style. popularity did not now slip, policies being pursued in the pressure for a tougher wording France's remaining in the EMS start to hear fruit by 1985-86 Most unions resist this logic. The French take badly to two U.S. and elsewhere had left in the final Versailles come will be posed more dramatically. In time, it is hoped, for the Potentially the most dangerous devaluations within eight France's expansionary strategy manique on fiscal restraint were There is no guarantee that the crucial legislative elections in opposition to the drop in living months and will probably react perilously out of step. His a tacit admission that France answer will be the same.

France might leave the EMS and thet M Delors would resign. It is now clear that there was sharp tussel in the Govern-

ment over whether France should withdraw from the EMS. ment "M Delors bad to fight like a dog." officials say M Michel Rocard, Minister of the Plan, had long favoured France's adopting a floating exchange rate as giving the Government more room for manoeuvre. Other supporters included M Chevenement, Minister for Research, and M Anicet Le Pors, the Communist Minister for the Civil Service, both of whom No measures have been an seemed willing to accept the nounced for containing monetighter import controls, that tary growth. The Ministry of would have had to accompany a Finance is sticking to its target of the manufacture of the sticking to the starget of the starget of the starget of the manufacture of the starget of th go it, alohe." bolicy.

General de Gaulle after the war to cut back on consumption so lest wing coalition imposing unas to leave more resources free popular measures on their supporters. To quit now, however, But in calling for sacrifices from the unions at last Thursday's tripartite meeting, the Government believes that the context today is totally different from that of 1976

M Mitterrand's personal to be resonal to be repaid to the Germans to stick with the EMS as major supply has been expanding significantly. Faster recently, and the Government believes that the last deposition with the context today is totally different from that of 1976

M Mitterrand's personal to have wide from the danger significant to deviation to devalue and policy.

gets of 121-131 per cent growth that has now M Mitterrand's personal to the for the year though the money to be repaid to the Germans to stick with the EMS as major supply has been expanding significantly. Faster recently, the first of the factor of the devalues of faster monetary controls are terrand that the has been too regions:

The anomalies and controlled to the EMS. The tions within the Government's deficit tar inflat to the EMS. The still hard to see how France can will be the supply that has now M Mitterrand's personal to the fast of remain within the EMS was still hard to see how France can

could not pursue a reflationist policy alone By then in any case, the French dash for growth had crumbled. Real GNP fell in the first quartor. But France was still saddled with an inflation rate three times that of West Germany and soaring trade and budget

The difficulties shead in attempting both to bring down lofishion and sustain employment are enormous. The Government intends the wages and prices freeze as shock treatment to curb inflationary expectations that were carrying France's infation to an annual hythm of 14 per cent for the first half. Even so, the practical difficulties of enforcing strict price controls pyer the summer holday period when margins normally sneak up are immense.

Unions have no stomach for the toss of purchasing power involved in the wages freeze (when some prices will still be going up). Many employers also have no wish to stir up discontent by withdrawing wage increases promised for July and notified to workers.

It seems, almost inevitable It seems almost inevitable

that companies, whose profit margins are already depressed, will cut back investment in the face of the uncertainties of a freeze on prices and the distrithis (as on a number of other larger volume of subsidised issues) went unheeded damage credits that the Government has Indicative of this came the Socialist Paris, the reluctance leaks from West Germany that of commanies to invest serves ta Speiglist Party the reluctance strengthen the case for greater State intervention in the economy...

M Delors has set bis sights on reducing the budget deficit from 3 per cent of GNP to 2.21 per cent in the years ahead. But it remains difficult to see how the Government will hold the budget deficit to FFr 120m next year after FFr 107m this year especially as the President has publicly, foregone additional taxation. But the fougher budgetary policy will enable France to borrow more easily abroad.

gets of 121-131 per cent growth

escaped the electoral setbacks tion rate well above that of taken at Versailles where the match Germany's inflation rate the Government has received— France's competitors of spiral French pressure for greater of 4-5 per cent. a year (France most notably the unexpectedly ling budget expenditures and international monetary co-operatives— never—did under former large reverse in the cantonal mounting pressures on the tion closed the door to pulling President Giscard d'Estaing) elections in March. He has franc, had been flashing since out of the EMS.

Should present policies fail and the franc again come under pressure: the

Men & Matters

Master minds

Apcopos the Denning Succession Stakes-otherwise known as the 40,000 Guiness (that being approximately the annual prize money for the winner)—I'm reminded of the girl who'd "danced with a man, who'd dsuced with 2 girl, who'd danced with the Prince of

I've talked to a man, who'd talked to a girl, who'd talked to an Appeal Court judge, who reportedly said that the con-sensus among his fellow Lords Justices was that the next Master of the Rolla should beeither Lord Justice Templemsn or Lord Justice Oliver. My man at the High Court

by this inside information. He stoutly avers that Lord Justice Dooaldson is still in with a good chance. bas appeared among the runners

—none other than Sir John Arnold, President of the Family Division and one of the triumvirate of top judges, along with the MR and the Lord Chief Given that he outranks his

rivals be must be regarded as very serious contender. Meanwblle, there is a whisper

in the Inns of Court that Lord Bridge a fancied runner from the House of Lords, is coming up fast on the rails and a casual visitor to the Lords last week might bave been excused for thinking that Bridge was engaging in a bit of subtle politicking at the expense of a rival. :

He and two other Law Lords were bearing an application for leave to appeal against a judgment Lord Justice Templeman.

Bridge suggested that Leolin Price, QC, for the applicant, was arguing that the Templeman judgment was "all rubbish." Price agread that "your lord- £20m for over 50,000 investors. provide weather forecasts for

ships's formulation encapsulates my argument with elegance and punch."

To ba fair to all concerned. I sbould record that the application failed, and the Templeman judgment, rubbish or not,

Plugging away

The modern equivalent of taking coals to Newcastle is, I suppose, taking British bigh technology to Japan. The latest to attempt such a herculcan task is Norman Lamont, Minister of State for Industry.

On a recent visit to Japan with a party of British husioeasmen, he sought to take advantprofesses himself undismayed age of the reduction in Japanese tariffs by emphasising the attractions of UK goods. Lamont presented some of his hosts—the beads of leading However, the latest intelli-gence bas it that a dark borse panies as well as of Miti, the internstional trade and industry ministry-with the best selling Sinclair ZX81, claimed to be the cheapest small computer on the market. Selling for £70 in the UK, half a million bave so far been bought worldwide According to Lamont the hosts were amused and pleased with having British technology whether it turns into a fashion remains to be seen.

Ranald's return

Eleven years after retiring from the City of London with a £500,000 nest-egg at the age of 36, Charles Ranald has returned to offer a million \$10 shares in Forexfund, a managed currency fund based in Bermuda.

Ranald made his name, and money, during the 1960s whan he built up the Castle Britannia group of unit trusts which, by the time he sold out to Jessel Securities, was handling nearly forman coast 30 years ago to

Concluding that unit trusts the local shipping industry. bad become "a big man's fn 1970 it extended its opera-sport," Ranald departed for tions into Europe and the Far Monte Carlo with plans to East and has since grown into indulge his pession for flying by the world's largest private running a shuttle servica

scound the South of France.
"That didn't work out," be says-though for a time he ran an air-taxi business between the French Riviera and Geneva and

Ranald turned to various other business enterprises, but tells me be began to take a serious interest in currency movements after "catching a cold" in the Swiss property market in 1974 when sterling fell against the Swiss franc. As president and chairman of Forexfund, he is now back in the City to take advantage of the freedom British investors have gained from the tifting of merchant ships at seaexchange controls.

But it is just as well he still loves flying. For while the fund Liberty bill is based in Bermuda and investment advisers Drayton Montague in London, the subcription and redemption side of the business will be Innoised from Guernsey, and Ranald's home will remain in Monte Carlo.

Weather eye

Wirhin days of the Falklands task force leaving Portsmouth, the Financial Times was providiog ils readers with daily forecasts of the weather in the South Atlantic-in spite of the fact create a memorial to America's that the Met Office, on orders from its paymasters at the Island. Ministry of Defence, was politely refusing all requests for information.

routes, based in the United celebrations in 1986.
States but with UK offices in Gravesend, Kent, and Aberdeen, Now part of the Swire ship Endless trouble ping group. Oceanroutes was set un by meteocologist Howard Hypochondria-an infinite cap-Kaster in Palo Alto on the Call- acity for taking pains

marine weather service.

Its main business is providing shipping companies with routes that will avoid bad weather at sea—thus ensuring the fastest. anfest and most economical passaces. But, as at Aberdeen, it also services the off-shore oil and gas industry with forecasts and undertakes weather-related ermineering studies. :

Linked to Palo Alto's computer, the Oceanroutes offices have recess to a vast inter-oritonal weather observation network including aatetlites. sovernment weather stations and the co-onerative crews of

The United States is faced with

another \$100m bill for preserying liberty. This time it is the 96-year-old Statue of Liberty in New York Bay that needs ur-gent safe-guarding. Its greentinged copper skin and iron infrastructure are weakening with age.

Chrysler Corporation chair-man Lee lacocca is hesting a fund-raising commission appointed by President Promin to raise the money needed to restore the 305ft statue and immigrants on nearby Ellis

lacocca, whose parents were among tha 12m immigrants who landed at Ellis Island between For that service, readers can 1892 and 1954, mms to finish thank a company called Ocean- the work in time for centennial

Observer

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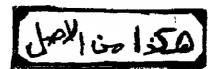
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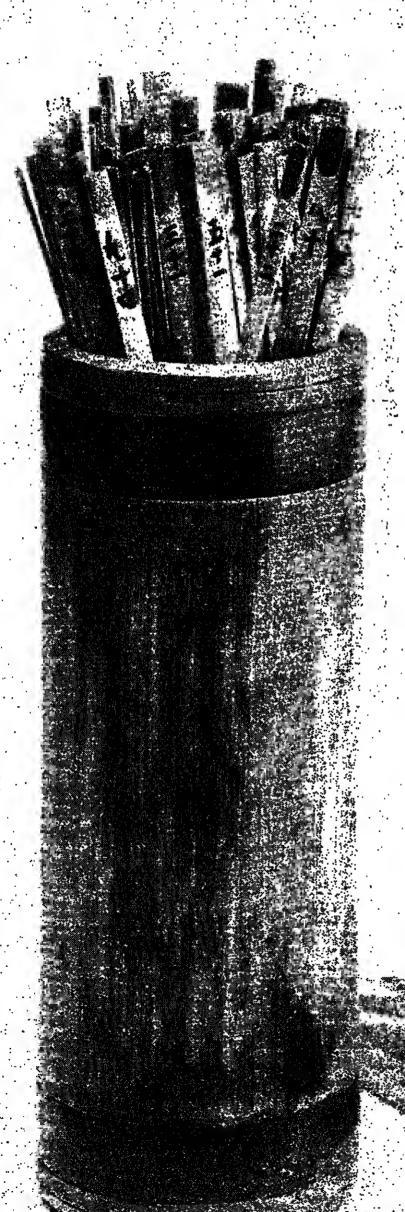
Monday June 21, 1982

参HONG KONG

Hong Kong: the Chinese way

Outstanding improvements in social conditions and rapid economic growth are the legacy which Sir Murray MacLehose left behind on his retirement as Hong Kong's Governor earlier this year. The issue which will dominate the term of his successor, Sir Edward Youde will be the colony's status vis-à-vis China as the expiry of the lease on the New Territories draws closer

Tasks for the Governor	п	Profiles:	
Relations with China:		Hoogkong Land	XII
Towards 1997	ш	Hang Lung	XII
Profile: David Li	IΠ	Housing	ZΙZ
Chinese re-exports	IV	Carrian Investment	/ XIX
Peking's ventures	IV		
Special Economic Zones	IV	Mass Transit Railway	X
Profile: Lord Kadoorie	IV	Trade/Industry:	
		When small is good	XV
Finance:		Textiles	XV
Banking	VI	Multi-fibre agreement	XVI
Other financial services	VII	Foreign investment	XVII
Profile: Hongkong and Shanghai Banking		Support organizations	XVII
Corporation	VII	Shipping	XIX
Bank of China	VII	Electronics	XX
		Watchmakers	XX
stock markets:	VIII	Society:	
Unification prospects		Education	XXI
ikely trends		Population	XXI
Commodity markets	x	Government:	XXII
Company profiles:	ıx	Profiles: John Bemridge	
Vinsor Industrial		Sir Philip Haddon-Cay	
Corporation		Communications: port as	nd
ardine. Matheson		airport	IIXX
Iutchison Whampoa		Businessman's Guide	XXIII
wire Group		Marinessman 2 Cimids	with



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Hong Kong's future status with China will dominate the issues facing the new Governor, says Robert Cottrell.

An unflagging belief in the profit motive pays off

OF THE MANY tributes paid to perity could be built and ln Sir Murray MacLehose on his which the future could be retirement after more than a sludied contructively rather decade as Governor of Hong than just hopefully.

Kong, one of the most concise Sir Murray MacLehose, soon Kong, one of the most concise February budget speech.

ridge. Hong Kong has ex-perienced remarkable growth, often in the face of general adversity. In real terms our total exports have increased by 182 per cent, our GDP by 162 per cent and our per capita GDP by 106 per cent despite a population increase of 1.1m. We still have no serious unemploy-ment problem . . . in housing. health, education, social welfare, recreation, law and order, transport and many other fields these past ten years have seen outstanding improvement in the living standards of our people. What has been done—which all can see stands as your monument."

The hald figures within that

It has until now staved off the current recession

lapldary paragraph summarise the remarkable growth achieved by Hoog Kong over ten years during which the global economy suffered two recessions, one in the aftermath of the oil shock and the second at the turn of the decade-from which the world has yet fully

Hong Kong too staggered through 1974 and 1975, achieving only marginal real GDP growth. But in 1976 it leapt into recovery, making up the hack-log with real GDP growth of almost 19 per cent. It has until now managed to stave off the effects of the current recession, with real GDP growth last year of 10 per cent, though this year's official forecast of 8 per ent now looks tike a remarkably tough target to meet

Yet the seventies were not the years of Hong Kong's conomic miracle. That took place in the fifties, when a war-shattered economy picked up its stretcher, walked and then the cardinal sin of protectionism —and are bad. started running. The Industrial momentum built up through the sixties was sustained through good years on the back of

came from Mr John Bremridge. after his arrival as Governor, the Financial Secretary, in his decided that Hong Kong's pressing need was for an accelerated public housing programme. In governorship." said Mr Brem- the last len years that pro-ridge. "Hong Kong has ex- gramme has yielded 31 new housing estates, so that now around 40 per cent of Hong Kong's population lives in accommodation provided or subsidised by the government,

If the new towns with their huodreds of thousands of inhabitanta are the most dramatie legacy of the MacLehose years, there are others too. The independent Commission against Corruption was created, answer-able to the Governor and charged with rooting out organised corruption. Building work above ground was com-plemented underground, as the Mass Transit Railway (MTR) snaked its way heneath Kowloon, Backed by HK\$ 4.7bn of Government equity capital, the MTR is now two-thirds com-plete and carries lin passengers every working day.

The Advisory Committee on Diversification (ACD), was another manifestation of the MacLehose years, a high-powered think-lank which received in 10.70 and the extension of the control of t reported in 1979 on the potential for economic growth and the infrastructure necessary, to support it. Hong Kong's traditional manufacturing hase, textiles and garments, had be-come in one sense too successand the ACD looked to a broader economic base.

"Infrastructure" is a word much favoured in Hong Kong Government circles because it provides a shorthand expression for general social and industrial provisions as distinct from specific subsidies to sectors of industry or particular eompanies. Infrastructure can he anything from an emphasis on vocational training to a sixlane highway—and is good. Subsidies, according to Hong

Sir Philip Haddon-Cave, for-merly Finaocial Secreary and now Chief Secretary, called it positive non-interventionism —and not, as he and his suc- industries which might take five cessor Mr Bremridge would be years to develop a product, let



quick to point out, loissez-jaire, alone show a profit, remains to The Government raises taxes, builds roads and houses. educates and provides limited social security. What it strives not to do is intervene in the economic activities of the private sector, on the grounds that Hong Kong's open economy is subject to the operation of international market forces which it can neither predict nor control and which should not be frustrated.
Positive non-interventionism

has historically proved a good fit with Hong Kong's light manufacturing industry, sensitive as it is to shifts in world product one year and watches the next from the same factory. Hong Kong became famed as a place which pald back investment in development of high technology

Such is the Hong Kong which Sir Murray MacLehose left

behind him when he returned to Britain and a peerage in April. His successor is Sir Edward Youde who, while Sir Murray was building apartment blocks in the New Territories. was building diplomatic bridges as Britain's Ambassador to Peking After that posting he served four years as Foreign Office No. 2—"chief clerk"—before coming to Hong Kong last month.

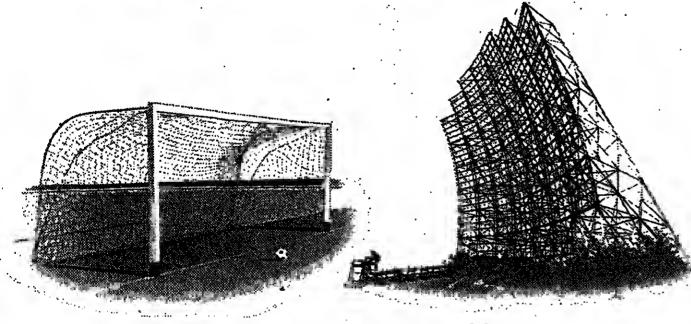
It is a dangerous temptation to mark watersheds without the benefit of hindsight. But so powerfully can the Governor stamp his personality on Hong five years or less. Whether positive non-interventionism will Lehose years " as some coherent prove quite so suited to the economic and social era now glving way to another. What of the new man in Government



Sir Edward Youde, who took over as Governor of Hong Kong in succession to Sir Murray now Lord-MacLehose He is a 57-year-old diplomat who studied at the School of Oriental Languages before joining the Foreign Office in 1947 and speaks Mandarin Chinese fluently. It was in 1949 that he undertook his renowned mission behind communist lines to attempt to negotiate the release of HMS Amethyst, trapped in the Yangtse River. He returned to Peking in 1974 as British Ambassador.

HOW THE PUBLIC SECTOR GREW Per 160 HKS (Billioo) Capita GDP 80: 40~ 1981 figures preliminary estimates *, 1982 figures estimates

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His predecessor left as his will local opinion play an principal piece of advice that active role in the reaching of a Governors should not spend too settlement? Democracy evicts much time in Covernment House but should get about and meet the people. Sir Edward has followed this precept, rid-lng the MTR to talk with passengers and visiting, with areas of Kowloon. Politically he is keeping his tlme to expect some outline of his agenda for the future.

The new Governor has, however, already spoken out on the issue which now overhangs and in retrospect is likely to prove to have dominated bis period of office-the question of Hong Kong's future status vis-a-vis China.

Sir Edward had every confidence, he has said, in the "step-hy-step" system of exchanges whereby Peking and

Budget forecast for GDP growth is 8% against 10% in 1981

London have commented on the future of Hong Kong when the New Territories lease runs out in 1997. What will happen then is for Hong Kong to guess and Peking to say. Whereas neighbouring Macao

survives in a diplomatic no-man's-land, the lease on Hong Kong's New Territories, obtained by the British from China's 19th century rulers, expires 15 years from this month. While Hong Kong Island and the tip of Kowloon were ceded in perpetuity to Britain underearlier treaties. China acknowledges the force of none of them. With the explry of the new territories lease, the basis for a British administration in much of Hong Kong will lapse. The issue cannot, therefore, simply be overlooked Macao-style but some form of resolution must be reached for the whole of Hong Kong. With his diplomatic background in China. Sir Edward is admirably placed to act as a pivot in discussions between London and Peking and admirahly placed in Hong

Local businessmen reckon anything from as little as two to even as many as eight years before an unresolved lease question would undermine confidence and therefore prosperity in Hong Kong. A settlement, or lack of one, during Sir Edward's governorship could therefore prove equally crucial

One of the more striking sidelights on the lease question came from an opinion poll published in the spring by the liberal-leaning Reform Club of Hong Kong. Some 32 per cent of respondents were unaware that the lease issue existed at oll. Their achievement is a remark-able one in a society which has publicly and relentlessly explored the question over the last two or three years. But for

only at a very local level in Hong Kong and as such excites relatively little excitement among prospective voters. But while the Falklands and Hong different political contexts. Hong Kong : people have listened keenly to the British Government's views on the importance of self-determination for the Falkland Islanders. Does selfdetermination count for anything in Hong Kong?

Where does a Governor stand

While the lease question and its ramifications fall well into

e difficult to reach—and the Government'a first . quarter economic report suggests that

real growth was nil.

The hudget forecast for GDP growth this year is 8 per cent, against 10 per cent in 1981. While the expanding financial Its folk heroes are men who built up fortunes sector will cushion overall GDP against a manufacturing slowdown, perhaps 5 to 6 per cent would be nearer the mark for this year.

Again, what of the British rulers themselves? While the mother-country affords the constitutional status within which private, enterprise may flourish in Hong Koog, it has also provided some less palatable recent food for thought, UK overseas student fees, the Nationality Act and British participation in EEC textile quotas are instances where Hong Kong's interests and Britain's are not ideotical. Those British measures may not have heen directed against Hong Kong-but neither did they spore It.

On the positive side the Gov-

package of car-related tax

patterns. But even with that, achieving the HK\$2.3bn surplus

may not be easy.

Playing balance-sheet eco-

nomics with Hong Kong is,

bowever, like applying the laws of physics where the laws of

chemistry would be more appropriate. The law of gravity

was long ago forgotten by an economy which should have

economy which should have dropped like a stone after the

war but instead rose like

a phoenix. Think rather of a

catalytic reaction between an

That catalyst would now

pleted its job at least as far as

non-governmental expatriates

are concerned. Most Chinese

businessmen and technocrats

can run industry at least as

European counterports.
Indeed expatriate managers

-with their remuneration

packages, cars, boats and

luxury flats — have become something of an awkward in-

gredient in Hong Kong's social

however, to have com-

Government.

when textile quotas supported by his parent Government threaten the prosperity of his dependent territory? Can be tell Hong Kong it has been too successful for Britain's good? Demonstrably no. Sir Murray MacLehose stood up for Hong Kong: S'r Edward Youde bas said he will do the same.

the category of what Sherlock Holmes would have called a "two-pipe" problem the new Governor faces a more tangible tangle of issues in Hong Kong's lumediate economic outlook. The sort of economic statistics which Hong Kong can still generate would give cause in many other countries to break out the champague. By Hong Kong standards, however, they are not particularly bright.

Domestic exports this year are officially stated to grow hy 7 per cent in real terms. By April Mr Bremridge was sug-gesting that that target would

OCCUPATION

In the 1981 census, the total labour force was reported at 2.5m or 66.8 per cent af a total population of 3.75m aged 15 and over including 82.5 per cent of the males and 49.5 per cent of the females. The occupational structure af the working population

Professional, technical and related workers	143,700
Administrative and managerial workers	64,106
Clerical and related workers	293,905
Sales workers	247,924
Service warkers	374.093
Agricultural workers and fisherfolk	50,676
Production and related workers, transport equip-	
ment operators and labourers	1,212,545
Armed forces and unclassifiable	
Trotal	- man sås 0.

perty market with its flat rentals of the equivalent of between £10,000 and £40,000 a year for unspectacular family accommodation, they help to price out Hong Kong's "sand-wich society," the indigenous young professionals who while they earn European-level basic wages cannot afford to buy a home of their own: After the Government's latest package of tax rises they may not be able

to afford to run a car either.

Hong Kong's per capita GDP according to Government figures. reached the equivalent of U.S.\$5,200 in 1980, second only to that of Japan in the Far East—though, as Mr Bremridge The forecast budget surplus has remarked, averages can be misleading, not least because of the wide gap between Hong is HK\$2.3bn, plus a further margin for the establishment of a capital works reserve fund. Rong's high and low-paid inhabitaking the effective total surplus up to HK\$4.9hn. Bnt land sales account for a third tants. "The long-term purpose of the encouragement of the creation of wealth," he said, " is not to enable the rich to get of Government revenue and industrial land prices have richer but rather to achieve an plummeted, in some cases by improving standard of living in half since the start of the year. all its aspects for the whole community." ernment has introduced a

b Richard

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A more rough-and-ready formulation of that sentiment increases expected to yield HK\$1bn this year, assuming a maintenance of past spending might be that in an ideal Hong Kong not only would the rich get richer but the poor would get richer too. Despite the encroaching lease question, there is no fin-de-riecle lethargy in the air. Hong Kong's greatest - indeed its only - natural resource apart from the harthe profit motive. Hong Kong's folk heroes are men like Mr Li Ka-Shing. Mr Fung King Hey and Sir Y. K. Pao. emigres who have built np fortunes in property, finance and shipping respectively to put them among the ranks of the

world's richest men. enterprising Chinese workforce From the bustling banks of Central District to the flatted expatriate skills and factories of Kowloon Houg Kong is a city hard at work 10 to 12 hours a day, six and seven days a week. It is an exhibarating place—and a nenrotic one. While economists such as Milton Friedman may eulogise it, sociologists may find efficiently as most of their less encouraging its capacity for narrowing down the goals of life to the eventual ownership of a Mercedes-Benz and a week-end in Macao when it all gets too much Hong Kong does not, however, have much time for sociology. After all, there is not much money in it.

equation. While	they can afford residential pro-	is not much money in it.
to subbott (tte	residential pro-	BASIC STATISTICS
ATION		Area: 1,000 sq km Population: 5.106m
our force was re action of 3,75m ag males and 49.5 p cture af the work	ed 15 and over, per cent of the	GDP: 1981 Per capita: 1981 Inflation: 1981 Trade: Imports Exparts Currency: FK\$10.2975 = £1
d workers	143,700 - 6.0	
01 KG13	293,905 12.2	AREA
************	247,924 10.3	sq km
olk	374,093 15.6 50,676 2.1	Kong Kong Island and adjacent islets 78.37
TANSWELL COMPAN-		NOVIDAN STANSON

ters Island New Kowloon and New Territories 973.77

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Anthony Walker in Peking assesses the political problems and trade ties

Keeping the golden goose happy

Size N FROM Peking, the Hong at the onset of the cultural resize N FROM Peking, the Hong at the onset of the cultural resize problem is relatively volution 1997 must seem an apparently prepared to do with
awfully long way away. Howwith the Chinese Compared to the cultural resize of the cultural recontinue indefinitely as they are
size of the cultural recontinue indefinitely as they are
size of the cultural recontinue indefinitely as they are
size of the cultural resize of the cultural resize of the cultural recontinue indefinitely as they are
size of the cultural resize of the cultural resi ties facing the Chinese Governat only now consolidating its position after years of turmuil.
This may not be a welcome decreation to Hong Kong sidents and investors many C. whom are understandably near ned about the future. The Seven at the best of times

Aris likely to be several years of herore a decision is made in Main September will help the state of the september will help the state of the september will help the state of the september will help the september will be september will b may even lead to the beginconsultations between British and Chinese Governnot on ways to protect satisforly Hong Kong's economic

It must be assumed that both rides are committed to that end. ments made thus far by Chinese leaders on the future of Hong Kong bave stressed the importance of maintaining business confidence. But these state-ments have been so vague as to give no clue whatsoever to Peking's thinking about Hong

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Until very recently Chinese leaders were content to leave well alone, sticking to the formula ontlined when China joined the United Nations in 1972 that Hong Kong was Chinese territory, but the problem would be solved through negotiations when the time was ripe at some vague point well

To these same leaders, who had seen China turned upside

and Hong Kong say that in the past year or so, tha Chinese bave indicated they are at last attempting to come to grips with

the problem.
When Humphrey Atkins,
Minister of State in the Foreign Office, visited Peking in January fills year he was assured by Zhao Ziyang, the Chinese Pre-mier that China wanted to preserve Hong Kong's prosperity and that the Chinese Govern-mant was beginning to think

serionsly about the problem.
This was considered a slight advance on Deng Xiaoping's advice to Hong Kong investors, first stated to Sir Murray MacLebose early in: 1979 and repested at least once since, that they should "put their

hearts at ease." Mr Deng, whose political fortunes have risen and fallen and risen again, would not need reminding that such advice could hardly be regarded as a cast-iron guarantee to anxious Hong Kong residenta and

With perhaps a degree of understatement, a British official bere said recently: "What the Chinese Government has in mind no-one can be sure about." He could perbaps have added that not even the Chinese themselves are sure about what they have in mind.

It is almost certain that the Chinese leadership is some distance from even considering a set of options with regard to Hong Kong, but if they were these are the sort of alternatives they might consider. down during a few short years Allowing the status quo to

 Some aharing of responsibilities between China and Britain, or at least the presence in Hong Kong of a senior Chinese offi-cial with powers to influence the conduct of policy.

The designation of Hong Kong

as a special administrative region under Article 30 nf the new Draft Chinese Constitution—a sort of auper special economic zone.

NEW TERRITORIES IN 1997

All these solutions are subject to a number of permuta-tions and all would create prob-lems for both sides. What is certain is that there is no chance China renewing a lease that does not even recognise.

There is little donbt that in the official Chinese mind. the problems of Taiwan and Hong Kong are in some way psychologically linked. The Chinese used to say that the Taiwan

Recent visitors to China bave Hong Kong.
quietly had their attention The point about the Taiwan
drawn to Peking's nine-point reunlication proposals and proposal issued last September for the reunification of Talwan and the mainland. It has been discreetly suggested that this might give some clue to the solution that might emerge to the Hong Kong problem.

Point these of the reunification

Point three of the reunification proposal may, in the mlnds of the Chinese leadership, be relevant with modifications to Hong Kong. It states: "After the country is reunified, Taiwan can enjoy a high degree of autonomy as a special administrative region... The central government will not interfere with local affairs on Taiwan.

Article 30 of the recently leased draft constitution released mirrors this provision. It -1ys: "The state may, where neces-sary, establish special admini-strative regions. The rules and regulations in force in special administrative regions shall be stipulated by law according to specific conditions." While diplomats here say

Article 30 was drafted specifically with Taiwan in mind, they concede it could be applied to Hong Kong. Such a "solution," if it were to be announced now,

rennification proposals and Article 30 of the constitution is that they are likely to serve as reference points in Peking for consideration of the Hong Kong

However, at the end of the day when the Chinese leadership sits down to debate seri-ously the issue of Hong Kong its main concern will be bow to keep the golden goose laying its golden eggs. In other words how to maintain Hong Kong as a secure market for hillions of dollars worth of Chinese pro ducts, bow to protect the efficicentre and bow to guarantee that Hong Kong continues to be a robust source of investment and technical skills.

The problem for Mr Deng and his supporters is bow to keep golden goose on the nest while at the same time protecting themselves from the accusation that any arrangement they might make involves an abrogat-

ing of Chinese sovereignty.
Any deal that recalls treaty
arrangements of the past would not be sceeptable to members of the Chinese leadership. Those problem would be solved first. would, in the words of one in Hong Kong hoping for the it is most unlikely they would British official, bave a serious status quo to be maintained say the same thing today.

Hong Kong hoping for the status quo to be maintained effect on business confidence in may be disappointed. PROFILE: DAVID LI

Prepared for changes

CAMBRIDGE - EDUCATED David Li, the 43-year-old chief executive of the Bank of East Asia is typical of the ounger breed of Hong Kong Chinese husinessmen was ackeeping an anxious eye on Peking for clues as to how China will handle the Hong Mr Li, whose bank is the only foreign bank to bave main-

Kong problem. He says that some clarification of Hong Knng's position will be required soon if confi-dence is in be maintained. "I think the Chioese are very clever," he says, "they don't want to rock the boat. I think there will be a period of conthere will be a period of consultation and negotiation. Mr Li, whose bank is one of the largest and most respected in Hong Kong, is prepared for changes in the way in which Hong Kong administered although

naturally he bopes the present free enterprise system remains intact. I think we all would like to bave a bigger say and participate in the welfare and prosperity of Hong Kong," he says. "We all feel the present system may have to change lowards a more representative and more oper sense. But once you have real politics coming into play then I don't btink it would be acceptable to China either, so

it's a delicate balance to work Whether the British stay of wish the present system to continue because it will maintain stability and give pe confidance to invest in Hong Kong, and whatever invest-

which can take deposits (as an agent for the People's Bank of China) through all the years of communist rule it is located in Shanghai believes that overseas Chinese businessmen have an advantage in dealing with mainland officials.

He instances his own recent experience where on mentioning the name of his family village in Guangdong province to a senior Chinese official he was treated to a description of economic progress being made there. Mr Li. who was born in England, has never visited the village. Asked whether he had run into

resentment in his dealings with Chinese officials, Mr Li sald that never in his experi-ence had he encountered difficulties. "They accept the material differences," he said. Mr Li's links with China—his bank is involved in financing a range of ventures in the People's Republic of Chinado not prevent bis doing

business with Taiwan. He

time, something, ha says, that does not appear to cause any complications in bis dealings with Peking.

Mr Li finds doing business with China time consuming, but helieves that progress is being made. He points out that the Bank of East Asia helped finance the first joint venture in China (a catering business located at Peking airport) and also helped launch Visa card in China with the Bank of America.

The bank also represents American and British banks in dealings with the Chinese, particularly in the area of trade financing. Mr Li would like to push his bank into new areas of the China business, but all this takes time .

I think the Chinese are very careful about entering into joint venture agreements so they go into very minute detail as to the responsibilities of the parties," he

Mr Li describes the question of the lease as the "topic of the day" and says "it's on the day" and says everyone's mind," cannot offer any special insights as to how the problem will be resolved. It will have to be cleared up one way or another in three or four years, he says, or people may stop investing.

JOINT VENTURES IN CHINA

(Dicardor)	Number of foint	Total	Imported
_ Country	yentures	iovestment (US\$m)	capital (US\$m)
Hong Kong	10	22.42	9.28
U.S	5 2	16.165	8.035
West Germany	i	3.88 0.69	2.028 0.345
Australia	î	0.46	0.23
The Philippines	1	0.125	0.063
Total	20	43.74	0.063
•			_ .

ACCURDING TO TRADES

Trade Light industry Foodstuff Electronics Machine building Textile industry Tonrism	Number of joint ventures 4 3 3 3 2 2 2	Total investment (US\$m) 7.35 10.585 11.9 4.742 6.125 0.264	Imported capital (US\$m) 3.465 5.293 4.93 2.353 2.462 0.128
Source China Formania	- ·	V	0.140

Governing Committee could be taken in turn

Independent zone

In a speech at a recent conference in Frankfurt Mr Richard Charles Lee, chairman of Hong Kong's Lee Hysan Estate Company, who has served on two senior government bodies, the Executive Council and the Legislative Council, gave his personal assessment in this extract of what might happen before 1997

If Hong Kong's future is as I perceive it, the event will signal a naw approach to international relationships based on the mutual respect of the British and Chinese Governments with the interest of all parties, including that local population, in

China bas already stated ber case in general and if Britain agrees in principle details will have to be worked out. This will take several years. Many people want to know the form of government as well as the legal and monetary systems Hong Kong is likely to bave aftar 1997. I heve no crystal ball bnt I am willing to suggest some of the willing to suggest some or the possibilities so as to stimulate discussion. I venture to suggest that there will be government by a Governing Committee and Hong Kong an "independent special zone" within China and under

the Chinese flag.

The leadership of the Governing Committee would be taken
in turn by a Chinese and a Briton, say, every three or four years. The modification should be introduced gradually before 1997 to prevent any shocks caused by abrupt changes. An early introduction of the modification would also give time to test the system and make any adjustments that might be neces-

The Legislative Council would continue with some appointed members as an interim measure for a few years, after which the entire council could perhaps be elected. Hong Kong has already started the election of district committees

from the beginning of this seems likely that the elections of Legislative Council members could be developed from this system, with the Civil Service remaining much the same as at present.

Let us assume that the present laws of Hong Kong, which bave world-wide recognition, will continue to be enforced after 1997 with the consent of China. Where, then, is the final appeal for court cases to be taken? Since China claims sovereignty over the whole territory tha final appeal should not go before the indicial committee of the Privy Council.

Naither do I think it should go to Peking, because the courts there work under a totally different legal system and many cases, for example, commercial disputes, would be outside their experience. As I see it, tha solution lies

in the creation of a Hong Kong Final Court of Appeal. would be a Hong Kong court as distinct from a British court, although special arrangements might be made for British judges who are members of the Privy Council to continue to assist Hong Kong with their services in capacity acceptable to Britain and Hong China.

Kong.

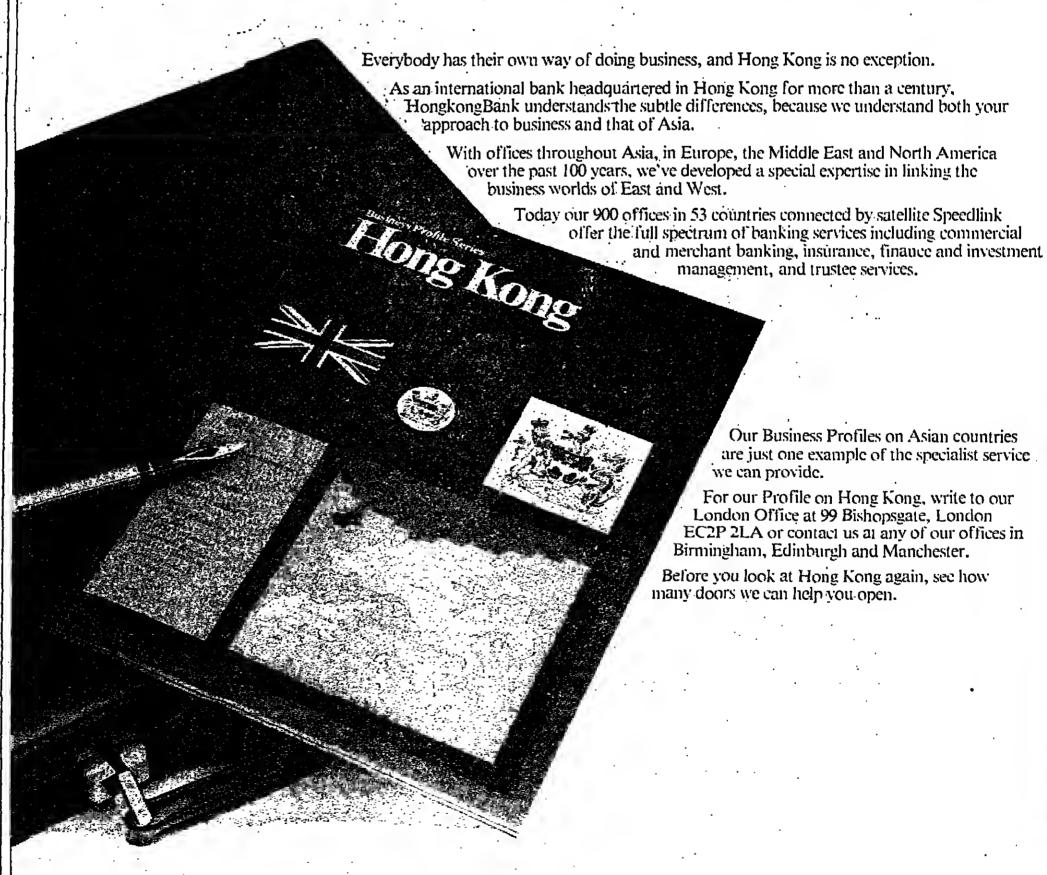
Before 1972, the exchange fund and general reserves were tied to sterling under Colonial regulations and, as a result, Hong Kong lost heavily through the weakness of the pound and successive devaluations. In 1972, the Hong Kong dollar broke away from sterling and diversified. The diversification of the fund is being managed successfully and Hong Kong has now become the world's third largest financial centre. This advantage should be vigor-ously maintained.

It is one of the points the Chinase leaders may well bave had in mind when they spake of preserving Hong Kong's present status.

When the year 1997 arrives the Exchange Fund should not be transferred to London or to Peking but should be kept locally or at any other place which Hong Kong itself may

This would perpetuate the independence of the Hong Kong dollar and continue to strengthen international confidence in Hong Kong as a business centre.

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CONSOLIDATED ASSETS AT 31 DECEMBER 1981 EXCEED US\$53 BILLION.

Sharp increase in growth rate

modern port facilities in Hong Kong which has the world's likely to remain inadequate for busiest contalner terminal, are used to tranship millions of dollars worth of Chinese products.

Hong Kong is a huge reexport centre for Chinese goods, and this part of its business is continuing to grow at a rapld rate. In the years 1970-1977 China re-exports grew by value at ahout 22 per cent per year.

In the four years to 1981 the growth accolerated by more than 50 per cent per annum. By 1980, China ranked first as Hong Kong's largest market for re-exports, up from 20th position in 1970.

Among the hig volume China re-exports are clothing, cotton fabrics and foodstuffs. Re-exports of goods to China have shown an even morn spectacular increase in percentage terms. In 1979 re-exports to China were up by 514.5 per cent on the year hefore dropping down to a 73.3 per cent growth last

Hong Kong's value as a re-export centre for the China trade will continue well into

a very long time. Hong Kong's efficiency and China's sluggiahness in part operations are illustrated by figures given recently to a Hong

CHINESE RE-EXPORTS

ANTHONY WALKER

Kong business symposium by Dr Victor Slt of the Department of Ceography at Hong Kong University. The figures showed that in 1980 the average turnaround time for foreign vessels at Chinese ports was 7.7 days. In Hong Kong the turnaround time for container ships is 2.6 days and only 15.5 hours for containerised vessels.

Many traders, understandahly, prefer to tranship goods to and from China through Hong Kong because, while extra handling of cargo is involved, a great deal of time

While Hong Kong boasts some

-road. rail and port-are tainer-handling terminals in the world, China's container facilities are limited. In 1980, Chinese ports handled only 380,000 tons nf. containerised cargo.

A brake on the further development of Hnng Kong's growth as a re-export centre for China are the poor rail and road communicationa with nearby Guangdong province. The rail system between Hnng Kong and Canton has only limited capacity to carry containers. This problem will not be overcome until double track railway linn is

Apart from facilitating the efficient transhipment of goods to and from the Chinese mainland, Hong Kong's other prime value to China as a re-export centre is that it acts as something of a political filter for trade with Taiwan, Indonesia, South Korea and even Israel and South Africa. Over several years there bas been rapid growth in this "indirect" trade particularly with Taiwan and South Korea.

In the three years to 1981 there was spectacular growth in trade between China and Taiwan through Hong Kong

ANY DAY of the weck the China's own transport facilities of the most sophisticated con- from about US\$70m worth in South Korea. 1979 tn abnut US\$460m worth last year. In 1981, two-way trade between China and Sonth Korea through Hong Kong reached about US\$215m, a sharp increase on the year

> In the first three months of this year, trade between China and Taiwan and South Korea slipped compared with the same period last year. This is be-linved to bave been brought Taiwan, Indonesia, South Korea about by political directives and Singapore, with whom from Peking that are making it China does not bave diplomatic more difficult for Hong Kong relations, accounted for more middlemen to secure Chinese than 40 per cent of goods tranimport icencees for gods nrighnating in Taiwan and and

before.

Nevertheless, trade between China and Taiwan and South Korea remains significant. A Western commodities dealnr, based in Hnng Kong, confirmed that shipments of Chinese coal are continuing to find their way to South Korea. China is said to have shipped about 1.5m tons of coal to South Korea last

shipped through Hong Kong into China last year.

HONG KONG AS AN ENTREPOT FOR CHINA

to China % of total China origin %	igin as of total exports

BALANCE OF TRADE BETWEEN HONG KONG AND CHINA HK\$m growth HKSm growth HKSm growth 29,510 34.5 15,201 43.4 21,948 44.4 Total imports from China Retained imports from China 48.2 5,663 Re-exports of China origin 6,247 225.7 1,918 550,2 Total exports to China 2,924 8,044 Dumestie expurts in China 1,315 514.5 Re-exports to China 18,541 · 13.283 15,701 Visible trade deficit PRINCIPAL COMMODITIES Re-exports of China origin HKSm growth HK\$m growth HK\$m growth 724 120.7 1,838 42.0 992 789 651 17.1 Miscellaneous textile made-un articles

5,663 54.8 All commodities

RE-EXPORTS	TO GHINA
	—— 1979 —— —— 1980 —— —— 1981 ——
Commodițies	HK\$m grewth HK\$m grewth HK\$m grewth
xtiles	222 1,010.0 1,368 516.2 3,170 131.7
lecommunications and sound recording and reproducing apparatus and equipment	116 2,800.0 444 282.8 1.035 133.1
ad vehicles	103 3,333.3 282 173.8 379 34.4 27 2,600.0 259 859.2 359 38.6
tches and clocks	21 950.0 144 585.7 221 53.5
commodities	1,315 514.5 4,642 253.0 8,044 73.3

Name of

the prevince.

Beijing

Shanghai

Guangdong

Fujian

Guangxi

Zhejiang

Shandong

Hebei

Tianiin

Dozens of Chinese organisations are represented, many under the aegis of China Resources

Peking's business involvement expands

THE MAN in the well-cut hlue finance houses, trade offices, Corporation and the Technical Hong Kong. business suit and silk tie is the epitome of the quietly successful husinessman. His manner is prudent. Large sums of money are mentioned in a soft voice without emphasis. A small frown appears if ques-tioning about financial matters Kong and the New Territories becomes too direct

Mr H. Chen is indeed a successful husinessman, hut not on his own account. As senior deputy general manager of the Bank of China's Hong Kong branch he is responsible for a huge range of trade-related transactions involving tens of millions of dollars.

The Bank of China at 2A Des Voeux Road with its granite-carved lions at the doorway is the most prominent Chinese enterprise in Hong Together with its 12 sister banks, the Bank of China controls a big silce of the Hong Kong financial market — estimated by some western bankers much as 40 per cent.

The Bank of China however before 1949. is only one example, albeit the rooming Chinese business pres-People's Republic, through its

emporiums, property developcompanies, activities, to name just some of the enterprises it controls. is deeply involved in Hong Kong's financial life.

estimated to exceed U.S.\$2bn and could well be worth U.S.\$3bn, At least U.S.\$1bn has been invested in

the past several years. China is now a significant property owner and will have done nicely out of a series of shrewd purchases it bas made since 1977 when the Hong Kong property market began to take Chlna's business presence in Hong Kong has grown very rapidly indeed since the mid-

Today, several dozen Chinese organisations have representative offices in Hong Koog, many of them under the aegis of China Resources which has a in Hong Kong to amount to as staff of several thousand and was established in Hong Kong

Under China Resources there most important, of the mush- are a range of trading corporatlons such as the China National ence in Hong Kong. The Machinery Import and Export Corporation. Metals banks, insurances companies, Minerals Import and Export about 20 Chinese emportums in

Import Corporation to name a

China Resources controls three oil storage depots in Hong Kong and recently established enterprise development department to seek ont projects for investment.

Food imports

Apart from China Resources and the organisations which come under its direct control. there are China-controlled companies like Hua Yuan which acts as agent for the China Light Industrial Products Import and Export Corporation and Ng Fung Hong which is the agent for the China National Cereals, Oils and Foodstuffs Import and Export Corporation. Some 50 per cent of all food consumed in Hong Kong comes from China.

Then there are the distributors of Chinese products in Hong Kong. The China Products Company, for example, runs a number of department stores. Other organisations active In the merchandising of Chinese goods are the China Merchan-Yue Hwa Company. There are

Added to the activities of the central government purchasing and distribution agencies such as China Resources, are new and 5 per cent respectively. organisations being established by the provinces. Guangdong and Fujian have recently established offices to push provincial products.

China's main property invest-ments in Hong Kong are made through the Kiu Kwong Investment Corporation, a Peking-controlled investment company. Since 1977 Kiu Kwong has been extremely active in the property market not always with com-

pletely satisfactory results.

Kiu Kwong engaged in what
nne businessman in Hnng Kong described as "misguided speculation" over the purchase of two sites in Kowloon Bay in 1980 for US\$60m. The properties were sold late last year at a loss after the Hong Kong property market dived.

One of Kiu Kwong's most important projects is its joint venture with Hong Kong Land and the Nanyang Commercial and a marine paint factory. Bank involves the expenditure Other ventures soon to go Into

of about US\$200m. Kio Kwong operation are a container manu-will hold 80 per cent of the facturing company and a steel equity. Hong Kong Land and rolling mill.

Jardines will have 15 per cent CMSN con

Another prominent Chinese organisation in Hong Kong is CMSN, the China Mercbant Steam Navigation Company, which is 60 per cent owned hy the Chinese Ministry of Communications. CMSN, until a few years ago, bad a virtual mono-poly on China's coastal trade, but is now having to compete.

Shekou estate

An important CMSN project is the Shekou industrial estate within the Shenzen special economic zone that separates Hong Kong and the New Territories from Gnangdong province, CMSN has built a 600-metre wharf at Shekou and work is proceeding on establishing industries on the estate.

According to a Hong Kong Covernment official who reand Jardine Matheson to cently visited Shekou achieve-develop property over the mass ments there are relatively protransit rall depot at Tsuen Wan mising compared with the rest in Kowloon. The development of Shenzen. Already completed dise Emporium Limited and the backed by the Bank of China are an oxygen bottling plant

Vegetables and fruit

Miscellaneous crude vegetable materials

Cottnn fabrics, woven

CMSN controls wharves and godowns in Hongkong, one of the world's husiest harbours. and also acts as agent for the China Ocean Shipping Company, COSCO.

Another Peking-controlled company in shipping and transport is Far East Enterprising Company, Hong Kong Ltd. Farenco, which acts as agents for the China National Foreign Trade Transportation Corpora-tion and the China National Chartering Corporation. China is now moving luto the ship chartering husiness.

Hong Kong government officials have no exact figure for the number of people employed in Hong Kong by! Chinese organisations, but one official said that those directly or in-directly on Peking's payroll would run into tens of thousands. It is estimated that FOR INVESTORS in China's re-negotiation of the original about 50 organisations, including newly established special econographic most problems have ing banks, are controlled by

As one Hong Kong official said: "The increase in Peking's business involvement in Hong Kong over the past several years has been quite dramatic."

Overseas investors face frustration

FOREIGN INVESTMENT

Imported

in U.S.5m

28.11

5.78

1.81

2.15

Compensation trade

Number equipment.

15

newly established special econo- agreement most problems have mic zones it has been a difficult few years as Western capitalist worrying development as far practices have run bead on into as other investors in the zone a sluggish Socialist system with are concerned is that as part sometimes sequences for the foreign party. Workers on the project are get-

tion and the simple fact that it Hong Kong.

bas been almost impossible to sack unsatisfactors. have combined to make life awkward for the overseas investor.

At a recent business symposium in Hong Kong one such investor, Mr Alan Lau, who had set up a shoemaking venture in Shanzen (one of the zones) in 1978, outlined some of the difficulties confronting the foreign entrepreneur. He .complained of what he described as the "iron rice bowl" problem, reference to the fact that in Chinese

SPECIAL ECONOMIC

workers are guaranteed a lifetime job whether they work hard or not. It is almost nnheard of for a worker to be sacked from a Chinese

ZONES

enterprise.
"Always it was the iron rice
bowl problem which discouraged the management from dismissing the incompetant," be said. Mr Lau proposed that an investor be given "100 per cent freedom" to manage his enter-prise, including the right to dis-miss unsatisfactory staff on seven days notice.
Mr Lau's difficulties are

typical of those experienced by dozens of investors in Shenzen. Fnr many the process of educating Chinese officials and workers in the ways of the competitive West has been expensive and at times hugely frustrating. But according to recent reports, progress is being made,

particularly on the question of labour relations. New regula-tions approved by the National People's Congress last year allow the foreign investor more fiexibility in the hiring and firing of staff—and perhaps what is more important, in the payment of incentives for greater productivity.

One foreign unturprise which

got off to a bad start but is now running relatively smoothly thanks to a rnarrangement of management responsibilities is a joint venture quarry financed by Readymix Concrete of Australia, a CSR subsidiary.

Readymix had severe prob-lems in the initial stages in imposing management disci-pline on the enterprise. Chinese managers would simply ignore or misinterpret directives from the head office in Hong Rong which. was attempting to co-ordinate supplies of aggregate across the border into the

New Territories. Through consultations and

unbappy con- of the re-negotiations Chinese

126.1

12,834

Processing and

assembling with supplied materials

Number equipment of con-value

118

100

167

Imported

in U.S.Sm

1.46

0.21

· 0 · · ·

28.21

0.45

1.29

0.08

0.78

10.3

431

78.4 45.2 9.7

in the special economic zone warn that there is a danger of the Chinese pricing themselves out of the market by allowing wage levels to rise too high. The investor is likely to be reluctant to risk capital in a zone investment—given all the teething problems he can expect -if wage levels arn uncompeti-

A visit to the Shenzen Zone is to find yourself in the middle of a big construction site. Large-scale infrastructure projects are under way to transform this once sleepy rural area into a buge industrial estate.

Much of the infrastructure cost is being borne by the Chinese Government but in the Futian area of Shenzen a Hong Kong company, Hopewell China Development (Shenzen) is involved in a joint venture to develop 33 so km of land develop 33 sq km of land. Hopewell is spending some

\$350m on bousing and factory estates for eventual sale to investors in the zone. Profits will be sharnd as to 49 per cent to Hopewell and 51 per cent to the Chinese Government.

The Chinese would no doubt like to develop thn rest of the 327.6 km zone on this basis but at this stage it appears that foreign investors are holding back from getting involved in large capital works programmes. at least until they are certain it will be a success.

At the end of March last about \$1.4bn had been pledged in foreign investment for the Shenzen zone but something less than \$250m had actually been invested.

About 1,000 contracts have

heen signed by foreign investors in Shenzen, most of them for small-scale agreements for processing and assembling products with materials supplied from

ontside China,
Foreign banks will soon be allowed to open branches in Sbenzen to conduct trade financing and look after foreign correccy business our ency business.

The population of the Shen-zen zone is expected to rise to about 1m by the year 2000. At present it is something less than 100,000, both urban and rural, according to official figures.

With that sort of projected population growth and the scale of planned investment.

the Chinese are creating a boom town with all the associated problems one would expect to flow from such an ambitious project. For Peking it is a bold experiment. Progress in the Shenzen zone will act as something of a barometer of the success or failure of China's open-door policy.



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PROFILE: LORD KADOORIE

Taking the mistakes of Humpty Dumpty to heart

On the chair behind the desk in the office of Lord a small Humpty Dumpty doll.
"It's to remind you of what
happens if ynn lose your
balance," said Lurd Kadoorie when asked about this incongrunus addition to the furnishings of his penthouse sulte with its magnificent glass cabinet lined with priceless jade antiques.

Lord Kadoorie appears in no danger of losing his equi-librium. Now in his eighties, he is almost certainly the wisest owl in the Hong Kong business community. For that reason aime his views on the future of the British culony and more particularly its relations with China are

worth recording.

Lord Kadoorie ls optimistie about the future, describing about the future, describing Hing Kong as a "very valuable asset" to the Chinese. It is, he says, a neutral point of contact, a "finid flywheel"—he is much given to engineering similes — that facilitates China's dealings with the out-

side world.

Lord Kadoorie, whose main business is China Light and Power, the Hong Kong utility. speaks from the vantage puint of his long experience in the region which includes the loss of at least one fortune when the Communists took

nver Shanghal. This, you would think, would make him cantions about future relations with China. Instead, he is positively builish about the deveinpment of economie ties between Hong Knng and China to the mntual advan-

age of each side.
"The Hong Kong of today is . . a neutral point of contact between East and West." he told the Lords in May. "It is also a service stating which enables China to regulate the flow of expertise required to fuel its medernisation programmes."

Lord Kadoorie, who is perhaps rather old-fashioned ln matters of husiness and who believes, no doubt, that a man'a word should be his



Lord Kadoorie: wisest owl in the community

bond is rather scornful of the legal rigamarole that surbusiness between China and the West these days.

"Enterprises with China must be based no mutual trust rather than enforceable eontracts, which make for difficulties for conscientions lawyers and accountants," he told the Lords. "And this joint venturism unquestionably can best be carried ont through Hong Kong using local expertise and experiепсея.

Lord Kadmirle sees the special economic zones being established in Gnangdong province, adjacent to Hong Kong, aa performing a critical rnle in future relations between China and the British

colony.

"Goodwill." he said in a recent interview, "will largely depend on how successful these industrial zones become. Therefore we have an interest in making them a success." Failure, be warned, would reflect badly on Hong Kong and may be interpreted by the Chinese as evidence that Hong Kong husinessmen were being less than helpful. "Honesty creates trust," he

unless there is that confidence you really cannot deal to mntual advantage with the Chinese. Once confidence is established it is a very valu-China Light and Power is presently discussing with the Chinese the possibility of building a nuclear power

station near Canton to supply power to Guangdong province and to Hong Kong Itself. By any standarda, it would be a buge undertaking. Costs would run into several billion

dnilars.

Lord Kadoorie said that a feasibility atudy prepared under the supervision of China Light and Power engineers is now with the Chinese Government. He was not prepared to predict the not prepared to predict the outcome of Peking's deliberatims except to say the pro-ject is "more likely to happen than not to happen." He claims that there is no

feeling of nationalism as such in Hong Kong: people know it as a neutral point of contact, he says. But perhaps there is no more arowed Hong Knng nationalist than Lord Kadnurie himself. His speeches to the Lords - he has given twn since he was elevated to the peerage last year — robustly proclaim Hung Kong's successes.

Hong Kong, he told his fellow Lords in May, was the world's biggest exporter of garments, watches and tnys. It bad the third buslest container terminal in the world and was the third most important financial centre after New York and London . . . a generation after it took the first halting steps to find a new economic rule it is still the people of Hong Kong. whn are the key to its

On the question of a somewhat uncertain future, at least until the question of the lease is resolved, Lord Kadoorle is sanguine: "You have to behave in a normal, ordinary way . . . be notimistic. If you're wrong, you're wrong. There is nothing you can do about it."

Cors

"HONG KONG OFFERS GREATER MARKET POTENTIAL FOR U.K. EXPORTERS THAN EVER BEFORE"

Lord Limerick Chairman of the British Overseas Trade Board

Hong Kong is a market worth £15,500,000,000. Its total imports in 1981 reached £12.6 billion and are projected to reach £15.5 billion this year.

Apart from U.K.'s domestic exports to Hong Kong, the U.K. order book for capital goods in Hong Kong has never been so full. Hong Kong's imports of capital goods in 1981 totalled £1.8 billion with U.K. taking a £260 million share of this. Contracts for capital equipment and engineering consultancy, both for private and public developments in Hong Kong, will offer many new opportunities for U.K. businessmen in 1982/83.

These developments will involve contracts worth an estimated £2 billion.

Apart from the capital goods sector, tremendous potential also exists in a number of fields within the raw materials and semi-manufactures sector amounting to 40% of Hong Kong's total imports.

Hong Kong's total imports of fabrics and yarn alone accounted for £1.8 billion in 1981.

The Facts

Recent development projects contributing significantly to U.K.'s earnings from engineering consulting services in Hong Kong included:—

	F minion	_
—Replacement airport	525	_
— Sewage treatment work	176	•
- New town and other developments	640	
— Mass Transit Railway extension	645	
—Power station	310	
— Aqueduct	118	
— Cement plant	- 80	
- Roadworks and fixed crossing	. 365	
	£2.859 million	3

The Future

Hong Kong's dynamic expansion as a trading centre has dictated the growth of its infrastructure; through its public works and housing departments the Government is at this moment committed to spend at least £10 billion on various developments in the next decade.

One of the largest private development corporations in Hong Kong has acquired land in the North-Western New Territories to build a privately constructed new town with a planned population of 500,000.

The future looks bright.

Britain is sharing in Hong Kong's prosperity. In 1982, based on the average annual growth rate for the last three years, it is estimated that Britain's total exports to Hong Kong will exceed those to Japan, making Hong Kong Britain's biggest market in Asia.

Hong Kong is on the doorstep of the largest, most exciting, developing market in the world, China, where the opportunities for the future are incalculable.

There are many opportunities for British business in Hong Kong in the years ahead, but the pace must be maintained.

The Hong Kong Trade Development Council can help you find the right contacts. Telephone the H.K.T.D.C. today.

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PROMOTING TRADE WITH BRITAIN

May 1982.

The Shareholders of UBAN-Arab Japanese Finance Ltd. have resolved at an Extraordinary General Meeting held on 8th March, 1982, to increase the authorised and issued capital of their Company to HK\$100m, of which HK\$75m has been paid. A further tranche of HK\$25m is expected to be paid up early in 1983.

To signal the expanded role of their Company the Shareholders have further resolved to change its name, with effect from 1st May, 1982, to:-

INTERNATIONAL LTD.

UBAN International Ltd. is a joint venture Deposit-Taking Company affiliated with Al-UBAF Group, which is the largest consortium of Arab and International banks based in Paris, London, New York, Frankfurt and Rome. The total balance sheet footing of the Group exceeds US\$13 billion.

Apart from UBAN International Ltd., Hongkong, the Group is represented in Asia by branches of UBAF in Tokyo, Seoul and Singapore.

Shareholders of UBAN International Ltd.

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Japanese: The Bank of Tokyo Ltd., The Long-Term Credit Bank of Japan Ltd., The Mitsui Bank Ltd., The Nomura Securities Co. Ltd., The Sanwa Bank Ltd.

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One letter that will introduce you to the full range of corporate and institutional financial services.

HONG KONG VI David Freud examines the territory's financial services.

Although helped by its role as an off-shore base for Tokyo Hong Kong has established robust markets on its own terms

HONG KONG is an international financial centre of growing importance. Its main rival in the Far East has traditionally been portrayed as Singapore. But the territory's continuing success is probably far more dependent on events to the north, in Japan.

In several areas Hong Kong has seized a role as an off-shore hase for Tokyo markets, and might be vulnerable if the Japanese authorities eased existing domestic restrictions.

Hong Kong is now the main syndicated loan centre in the Far East, for example, although the Japanese are nsidering establishing an offshore status for banks in Tokyo. International fund management in the Far East bas been gravitating to Hong Kong, even though the bulk of investment is probably channelled into the Japanese arket. The most dramatic example

of the relationship is the Hong Kong Commodity Exchange, which has been revived from death's door by Japanese brokers and adapted to suit their

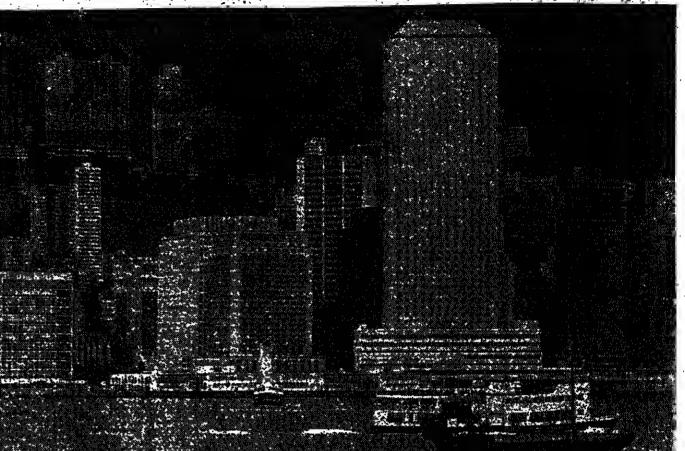
Elsewhere Hong Kong has established robust markets on its own terms. The 70-year-old Chinese Gold and Silver Exchange now provides support for the activities of a range of international gold market makers, while the stock market—presently split between four exchanges—boasts the highest liquidity ratio in the world.

As enduring as the myth about Hong Kong's rivalry with Singapore is the belief that the territory offers a capitalism untransmelled by rules and regulations. In fact regulation has been expanding quite rapidly in recent years, although there is some way to go before standards ma

Europe or the U.S. Nor is the existence of a banking cartel on interest ratesnow coming under pressure—quite consistent with the

In terms of international fir

Hong Kong's main advantages hav lain in the pro-business attitude government, associated with a lack political activity, and a simple and favourable tax environment. Once se in train the expansion of financial ser vices acquires a momentum of its own Nevertheless, mounting wages and rents—caused in part by the territory's popularity-have reduced some of the cost benefits that Hong Kong used to enjoy. Without some more formal arrangement with China as to what is to become of the territory at the end of the century, the quiescent political



View of part of the banking sector as seen from the ferry

Restructuring plan will bring drastic changes

BANKING industry in Hong Kong is half-way through a two-year restructuring programme, and the signs are that looking very different. More-over it is likely that the outcome will not quite be what the mind when they launched the reform programme last year.

More by accident than design,

the cartel agreement under which banks operate seems to have been undermined. Mr Tom Welsh, chairman of the Hong Kong Association of Banks as well as a general manager of the Hongkong and Shanghai Banking Corporation talks of "stresses and strains" in the interest rate agreement.

Mr Colin Stevens, general manager of Barclays Bank International in Hong Kong is more forthright. "The recent agreement that there should be no cartel on deposits of HK\$500,000 and over really spells the death knell of the cartel," be says.

The original plan envisaged the creation of a three-tier banking system of banks, registered deposit-taking companies (DTCs) and licensed DTCs, each of which would bave a defined sphere of operations. However, the original plan gave the best plum to the newlycreated licensed DTCs which could pay market rates for deposits above HK\$500,000.

The banks realised that this would effectively bobble them in the key wholesale money area, and so earlier this year it would no longer be bound by the interest rate agreement

This means that wholesale operations have been opened up for free competition, and the question is the speed and extent to which this will spread into the retail market. Such a development would cause a major shake-up in domestic banking in a territory in which there are getting on for 1,300 bank branches of one kind or

The restructuring plan was initiated by the success of the DTCs in taking deposits. There DTCs in taking deposits. There So banking competition has was concern among the banks increased with the entry last that they were taking the lion's year of eight major inter-share of the deposit growth that national banks, particularly was going. In 1981, for instance, DTCs' deposits expanded by 42 per cent, while the growth in banks' demand, time and savings first for many years. The accounts was only 23 per cent.

Under the restructuring the Hong Kong now stands at 125, tier of registered DTCs will continue to observe the HK\$50,000 minimum for deposits, but will

This is a change that is likely to curb the activity of registered be beginning to be eroded from DTCs considerably, since in the loans side.

Hong Kong depositors like to The banks have traditionally

(HK\$m) Denosit-takers 24.495 42,716 60,479 Source: Hong Kong Government-

lished at the end of 1981. The registered DTCs will have

to pay more for their deposits, and they are likely to have to specialise in certain types of lending. Mr Kent de M. Price, senior vice-president of Citi-bank, believes that the registered DTCs will henceforth concentrate on mortgage finance and consumer lending.

While the banks will see less competition from this area, they the new category of licensed DTCs for deposits above HK\$500,000, where, since March 1, the interest rate agreement has been lifted.

Since February DTCs have been granted licensed status on there should be about 20 by the end of the summer. Early names

BANKING INDUSTRY

wort Benson (HK), Nomura and Pierson Heldring and Pierson. On this basis it looks as if the licensed DTCs will be the Hong Kong equivalent in standing to the London merchant banks. develop a formidable presence in the wholesale money markets, in competition with the banks, be rather less efficient.
At the same time

moratorium on the granting of new banking licences in force since 1979 was lifted last year. from Japan. Earlier this year a new local bank was licensed in the shape of Sun Hung Kai, the

While potential pressures are growing on the deposit side for

the Hong Kong Interbank Offered Rate (Hibor) has traditionally been below "best lending" rate and is not controlled by the interest rate rules. There are signs that more and more loans are being arranged at this

rate. "Many of the big syndicated loans and bigger loans not syndicated are now expressed in terms of Hibor," says Mr Welsh. The licensing of new foreign banks and the liberalisation of the wholesale money market are signs that Mr John Bremridge, the new Financial Secretary, bas more of an eye to the needs of Hong Kong as a regional financial centre than the calls of local banks for protection. Until now Tokyo has ruled itself out as a banking centre for the region, and Hong Kong stands out as an obvious alternative, backed by the buge money flows associated with its role as an

national trade. The other main rival is Singapore, which had been enjoying an artificial advantage until recently due to Hong Kong's imposition of a withholding tax on foreign currency

entrepot for China'a inter-

The banking industry bas been urging the anthorities to relax the withholding tax for several years. Last February in his Budget speech Mr Bremridge announced that the 15 per cent withholding tax on foreign currency deposits would be withdrawn immediately, while the rate on Hong Kong currency deposits would be rency deposits rose by 20 or 30 per cent in the first couple of

months. It is still too early to say to what extent this was a one-off is likely, however, that more band international money will find a UK home in Hong Kong, and that the territory's status as a funding centre, negligible until this Bank has warned shareholders year, will be enhanced.

This in turn will boost Hong the bandsome spread between Kong's already strong position deposit and lending rates may as a regional centre for loan be beginning to be eroded from syndication. Until now the pattern has been for Singapore The banks have traditionally to take predominance in fund-maintained a spread of three ing centre terms, and for Hong points, between deposit and Kong to have the edge when

One syndication banker estimates that, wherever the loans may be booked, well over half of the work in arranging loans Hong Kong. The banks heavily involved in syndication include hig U.S. names, like Chase Manhattan, Citibank, Manufac turers Hanover, and Bank of

Su

From the UK, Lloyds Bank International, the Midland and NatWest are active as are French and West German banks. The size of the loans are going up, while countries like Sr. Lanka, India and Papua New Guinea are raising their profiles in the market Nevertheless there are a lot of banks chasing the business, so rates tend to

Fine rates in the Asia-dollar market mean that it is scorned for the by local banks like the Hong to Bank kong and Shanghai, since domestic retail banking can be so profitable. According to Mr. Stevens all the nine hranches so far established by Barciays Bank International have heen profitable within a year of

The Hongkong and Shanghai Bank's results underline the benefits of operating in an expanding economy. Between 1979 and 1981 its earnings per sbare have grown at the rate of 35 per cent compound annually.

Unlike the UK, current accounts represent only 14 per cent of Hong Kong banks' retail deposits. Nearly half the total is beld in savings accounts, which currently offer a 10 per cent rate of interest, and from which instant withdrawals can be made. So Hong Kong tends not to be a cheque-book society. Instead, customers usually draw out cash from their interest-bearing savings accounts when they want to spend.

Branches can be open to 11 pm to supply cash requirements. and of course the more branches reduced from 15 per cent to it has, the more attractive a 10 per cent. The results have been dramatic, with hankers the other hand, these extensive estimating that foreign curnetworks are extremely it bas, the more attractive a bank is to its customers. On networks are expensive.

If interest rates drop, and the pressure on the interest rate have to be some retrenchment shift back home of deposits held in branches. Already there are abroad by local residents. It mutterings about introducing bank charges on the lines of the

Meanwhile, the chairman of the Hongkong and Shanghai to expect a slower rate of progress this year, which underlines the slowdown in borrowing in the territory in the light of high interest rates. For some banks, which backed untried property developers in the recent boom, there might be some had debts coming home to

Range continues to widen

FINANCIAL SERVICES

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DAVID FREUD

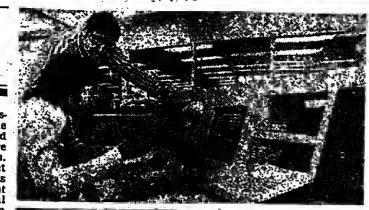
IT IS a cliché among husiness men in Hong Kong that the territory is the world's third most important financial centre after New York and London. While no one could deny that there are some vigorous markets there are also some significant gaps in the range of financial aerrices on offer, although some of these are being rapidly

Perhaps the most obvious is the absence of a bond market. The Government of Hong Kong traditionally runs a financial arpins, so it is not surprising that there is no Government paper on offer. It is likely that this represents a key reason for the failure of a commercial aper market to develop.

The nearest approach to it is market for certificates of eposit fostered by some of the foreign banks in the past few years, in particular Citibank, the Bank of Tokyo, Barclays Bank and Credit Lyonnais. The merchant bank Jardine Fleming has been particularly active as a secondary market maker here.

Hong Kong has had an active insurance market for many decades, but it is only in the past 10 years that insurance brokers, mainly from the UK and the U.S., have begun to make their presence felt. In the marine hull market the brokers still tend to turn to the London insurance market to place their business:

active, and most international significant part of the terrimoney brokers have operations tory's financial armoury. Among investing in the domestic John D. Bolsover; the managing in the territory. While short the most important fund man market, while if they invest director: "If you invest in the term foreign exchange positions agers in Hong Kong are shroad their first choice tends Far East you want to be on the term foreign exchange positions—agers in Hong Kong are sbroad their first choice tends Far East you want to be on the and an active and can be matched each way, how—Wardley, Jardine Fleming, to be the U.S. and the likely spot. We preferred Hong Kong market has developed, ever, it is very difficult to cover Henderson Baring, GT, Gartinetenediary one of the big U.S. to Tokyo partly for tax reasons. In 1978 there were significantly to the cover of the big U.S. to Tokyo partly for tax reasons. ong-term foreign currency more and Fidelity. The clients banks. liabilities. This is because Hong are mainly international.





which they can be matched. As Mr Christopher Eugster. of Kleinwort, Benson (Hong Kong), poiots out: This is a severe limitation."

Hong Kong is certainly the

Above: two dealers consider currency price movements in the foreign exchange market. Left: Mr. Christopher Eugster, managing director Kleinwort, Benson (Hong Kong). Right: Gold bars wheeled into the vaults of a bank. Gold dealings in Hong Kong are an important market

munity), institutional funds are ment are institutional, and two-strictly limited and tend to he thirds come from the UK. The related to the established

market to trading however.

Fleming therefore teod to pick hardly any in the lion's share of this local market.

The interbank market is to be becoming an increasingly business. Local individuals, So why is the local market is to be becoming an increasingly business. meanwhile, tend to do their own Hong Kong? According to Mr. Foreign brokers were attracted

liabilities. This is because Hong are mainly international.

Heoderson Baring is one of easier place for expatriale Kong does not specialise in There is some local institution to fastest growing fund man-staff to live. supplying capital projects and tional money, as provident agers based in Hong Kong and "People speak English and therefore no one has long-term schemes become more popular, from a standing start in 1975 there are domestic support ser-

foreign currency assets against But, with life insurance a it now has U.S.\$800m under vices. Furthermore, while the minimal factor (considered un- management. Some 60 to 70 per Japanese are terribly polite to lucky among the Chinese com- cent of the funds under manage- visitors, they tend to be maio area of investment is the Tokyo Stock Exchange. Even

> So why is the fund hased in and partly because it is an

suspicious of foreigners actually liviog in Japan.

Turning to the gold market, the Kam Ngan (Chioese Gold third most active place for gold. Hengkong Bank, and Jardine fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and, having built a free fund is in Hong Kong, it has from 1910 and having built a free fund is in Hong Kong, it has from 1910 and having built a free fund is in Hong Kong, it has from 1910 and having built a free fund is in Hong Kong. and efficiency over the years, achieves substantial volume. in the second half of the 1970s by the arbitrage possibilities and an active and separate

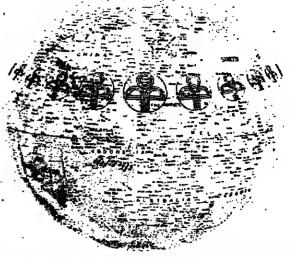
> In 1978 there were six bodies making prices on the market: to 18 and includes the six major London houses, three Swiss banks and several U.S. The Loco-London market, as it is called, now handles more volume than the Kam Ngan.

Even so, the Kam Ngan remains of key importance. According to Mr Geoff Grallon-Brunt, managing director of Sharps Pixtey Wardley: "The Loco-London market sets its prices very much on the base established by the Kam Ngan, taking the Hong Kong U.S. dollar exchange rate into

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HONGKONG AND SHANGHAI BANKING CORPORATION

Success and a hint of mystery

THE DOMINANT hanking force in Hong Kong is the Hongkong and Shanghai Banking Corporation. It has a network of 270 branches in the territory and by market capitalisation is one of the in the world.

It owns a 60 per cent stake in the Hang Seng bank, the second biggest bank in the region, a "Chinese" bank which has a network of 62 branches and plans for a further 18 well advanced.

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The corporation—often referred to simply as "The Bank"—is the adviser to the Hong Kong Government in banking matters and is responsible for more than 80 per cent of the note issue in

the territory.

It was founded in 1865, but was hard hit by the Second World War and the com-munist revolution in China, where it lost all hut its Shanghai branch. Since then it has expanded rapidly, and, in addition to the Hang Seng, has significant holdings in the Saudi British Bank (40 per cent) and the Marine Midland Bank in New York

(51 per cent). Other businesses include Wayfoong Finance and the merchant bank Wardley in Hong Kong, and outside Hong Kong the Mercantile Bank in India and Antony Gibbs in Loodon. Through Wayhong Investment it holds Pacific Airways, the South China Morning Post and various offshoots of Sir Yuckong Pao's worldwide ship-

 Its latest expansion move-the widely publicised attempt to take over the Royal Bank of Scotland—was thwarted by the UK Monopolies and Mergers Commission. It has not yet decided on an alterna-

According to Mr Tom Weish, a general manager of The Bank, "We got bogged down in the Marine Midland deal which took much longer than we expected and which diverted our attention for a

When the announcement of the Royal Bank Standard Chartered deal came through we jumped in and that occu-pied our energies for quite a while. We are still in the aftermath of that; still trying to think where we are more than where we're going."
However, The Bank has clearly not given up all hopes

of gaining a significant presence in UK retail bank-ing. "We could move into the UK still if the right opportunity came np." says Mr Welsh. "One would like to think saner counsels would prevail if a deal emerged in the interests of both parties

and that it would go through." The Bank bas a reputation for being mysterious, partly because of its policy of main-taining secret inner reserves. This practice is perhaps not too exceptional in inter-national terms but its reputation is more justified when it comes to attempts to unravel how its conducts its business. and from where it derives its

It is clear that The Bank's hig retail deposit base gives it plenty of funds for its own loan book, and it is a very significant lender on the foterhank market. On the loans side, the three most significant businesses are probably import/export finance, and hack-ing for property and shipping.

One technique that stands
oot in The Bank's history is

the way it has picked success ful entrepreneurs and backed them to the hilt. Critics would argue that any bank with such a wide customer base would have come across the entredifficult for them to fail.

Mr Welsh points out: "This is our head office and where we make our decisions. Other banks have head offices else-where, and while the local branch might want to go for hast on someone they might find it difficult to persuade

Some of the successful cotrepreneurs backed up by the Bank are now on its board-including such well known businessmen as Sir Yne-kong Pao, depoty chairman of The Bank, and Mr Li Ka-shing. chairman of Cheung Kong.



Mr Tom Welsh: waiting for the right opportunity in the UK

THE BANK OF CHINA

Strong commercial links in the territory

The Bank of China, based in Beijing, has had a branch in Hong Kong since the 1920s. Expansion has led to the establishment of a further 10 snb-branches in the territory. This understates, however, the true banking presence of the People's Republic of China, for there are an additional 12 sister banks which are also controlled from Beijing.

They have very close relations with each other and in total operate more than 200 hranches in Hong Kong, the second biggest network after that of the Hongkong and Shanghai Bank. The Bank of China is very

much a commercial bank in Hong Kong and is involved in a wide range of husiness, from lead managing syndicated loans to hacking property developments and providing mortgages, its most important activity is con-nected with trade with mainland China.

Mr H. Chen, senior deputy

general manager of the Hoog Kong branch, estimates that something like three-quarters of the branch's husiness is connected with loans for imports and exports to and from the mainland

The sister banks have a very strong position in this trade, aithough other Hong Kooghased hanks are now trying to break in, and have been open-ing offices in cities like Beijing and Shanghal. The Hong Kong branch is also an important foreign exchange centre for the mainland, with substantial transfers of Rong Kong dollars into trading currencies like the U.S. dollar.

The branch enjoys a fair

measure of independence from head office control in from hesd office cootrol in terms of the day to day running of its business. Deals must move up into the HK\$10m region before they are in the area where approval from central office may be required. According to Mr Chen, "most of the time we can handle the husiness in Hong Kong." io Hong Kong."
The hranch started to trans-

fer its accounts onto compoter three years ago. So far it has transferred savings accounts, fixed deposit and current accounts, and is now working on businesses like bills. The programme includes all the sister hanks so It is likely to take some time yet. Meanwhile, the hranch has ordered cash dispensing machines, and should be installing them this

A growing business for the branch is financing projects in the new economic zones established on the Chinese mainland near Hoog Kong. So far loans for this porpose have been extended mainly to small and medium-sized businesses. Progress, while steady, is still slow, and many Hong Kong husinessmen are wary of pro-jects in the zones because of the lack of infrastructure.

Meanwhile, in receot years the hranch and its sisters bave become a formidable force as deposit-gatherers, with the immigrant werk-force turning to it as the best way to transmit money to relatives on the msinland. The sister banks are now pushing hard at the Hongkong and Shanghsi's traditional dominance in this area.



The Exchange Business

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Major market leaders such as the Hongkong and Shanghai Bank keep abreast of these rapidly moving markets through the Reuter Monitor Service. Simultaneously, the Bank keeps other parties informed of its latest rates both for the Hong Kong dollar and other leading currencies on the Bank's Reuter Monitor page "HSBC".

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"You can't afford to be in foreign exchange without the Reuter Monitor Service", says Gerry Dobby, Foreign Exchange Manager, the Hongkong and Shanghai Bank.

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World markets as they move

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Travelling down the Western road HONG KONG'S HEALTHY appropriate for the good things in maintained and there could possibly be an electronic means

stock exchanges. The Hong Kong Stock Exchange is well established, but at the time of the 2,000 trades, many reprethe hoom in the late 1960s and early 1970s its operation was widely perceived to be hide-bound and restrictive. So in 1969 the Far East Stock exbe considerable consolidation of change was set up, and its success spawned the Kam Ngan Stock Exchange two years

In 1972 the Kowloon exchange also opened for business-but never really got off the ground and today handles only 1 per cent of turnover. By compariaon the Far East handles shout 48 per cent, the Kam Ngan 35 per cent and the Hong Kong

17 per cent. For a population of 5m, four separate exchanges was clearly an unnecessary extravagance, so plans for unification are well plans for inflication at which advanced, although the new all-embracing exchange now looks likely to be ready in 1985 rather than in 1984 as originally planned. The main problem of problem of scale.

unification will be one of scale.

The trading system on all the existing exchanges is broker to broker, with selling and buying offers marked up on buge ex-panses of white board and direct respense by other brokers. On busy daya the scramble to mark up can hecome physical. A new unfixed exchange would have no fewer than 2,000 floor traders, and it takes only limited imagination to understand the chaos that

could ensue.

The elected chairman of the unified exchange. Mr Woo Hon-Fai, at present the chairman of the Kam Ngan, undertook at the end of last month a tour of some of the world's major exchanges, including visits to the U.S. and London.

He says that no decision has yet heen reached on how trading on the new exchange will who are already established here he organised, but the likelihood will be allowed on the new is that the present broker-to-unified exchange," he says.

matching bargains and settlements. Furthermore, of overlapping interests, so there might well

The unification is thoroughly welcomed by stockbrokers. According to Mr Frank Heath, a director of Sun Hung Kai, the leading firm of local brokers,

UNIFICATION

DAVID FREUD

the existence of four exchanges was an anachronism reflecting personality conflicts more than anything else.

"It will he much better to have an unfragmented market; it will cut down rumours, allow computerised settlement and a better index," said Mr "It will also make Hong Kong appear more professional in the eyes of outside

At one stage there was concern that foreign brokers-essentially those hased in London-would be excluded from membership. Most of the brokers did not have full membership of exchanges, tending to use the specialist trading brokers on the floors to conduct their transactions, and dividing the commission with them. Some of the hrokers have been hurrying to establish full membership, but it looks as if their worries were exaggerated. Certainly, Mr Woo Hon-Fai has come round to the view that all established traders should be "Of course people accepted.

ing came to an abrupt end when the market collapsed in the mid-1970s and the Government stepped into the arena to take some measure of control. The shutters went up on the creation

of new exchanges in 1974.

At the same time a Securities ommission was created. The history of this until now has not been particularly happy. The previous Securities Commis-sioner Mr Uisden McInnes, re-tired prematurely last October after heavy criticism of his lack

Three incidents in particular have been singled out. The takeover of the China Motor Bus Company last summer left commission with egg all over its face, since one of two competing, rivals, managed to gain an unfair advantage over the other in the battle by sneaking in a clause in its offer document that allowed it to withdraw its tender offer if it obtained enough shares in the market.

The commission was also left looking ineffective in the summer of 1980 in the takeover battle between Hong Kong Land and Sir Yue Keng Pao for the control of the Hongkong and Kowloon Wharf and Godown Company.

Similarly, the slowness of the Commission in getting an investigation of leaks when the Hongkong and Shanghai Bank sold a 22 per cent stake in Hutchison Whampos has been a major factor in the indeterminate conclusions resched in the

Mr Rohert Fell, chief executive of the London Stock Exchange, took over on a temporary hasis in November, and

was established as the permanent Commissioner on April 1.
He says, "My aim is to have a statutory body that hopefully will produce a stock exchange that will see that self-regulation is self-interest. I want to get the exchange working at the front end, while the commission

The free-for-all in stock trad- will be there with statutory the operation. power in the background, in a monitoring role."

Basically he is happy with the market mechanisms. "It is one of the very few exchanges where an individual can give an order and watch his broker do the deal." Nor is there a significant amount of bear selling, a criminal offence.

The main shortcamings lie in the area of listings, where company announcements can fall short of what is desirable and the quality of information can be low. Something of a watershed over listings was passed last month, when Mr Fell firmly signalled that he would not tolerate a casual attitude to listings by conducting spot checks in brokers' offices.

This followed a particularly flagrant operation when 82 per cent of the shares of a ahell company on the Kowloon Stock Exchange, New Era, were bought by Mr Chim Pui-chung. The Commission told him to huy out the minority. But with-out doing this, Mr Chim managed to obtain a listing for the shares on the Far East and Kam Ngan exchanges, where 20 per cent of the shares were promptly placed. Bought for 50 cents, the shares were standing on HK\$1.40 by the end of

It is not yet certain whether an initiative to ohtain share disclosure will be launched. Hong Kong still operates on legislation more similar to the 1948 Companies Act in the UK than anything else. New legislation is being prepared, pos-sibly for publication next month, and no decision has yet been reached on whether to include share disclosure provi-

A lot of people oppose such a charge, and Mr Fell himself admits that some responsible arguments can be made against "After all, at this stage in development, what is wrong with being the Switzerland of Asia? There is a lot of money moving in and out which might not if there were disclosure." On the other hand, without dis-closure it will remain very difficult for the commission to monitor insider dealing, manipulation and take-over moves One possible compromise might he private disclosure to the

commission, with notification of stakes of 10 per cent and up. Meanwhile a simple take over code has now been estab-lished, with a trigger point of: 35 per cent substituted in October for 50 per cent as the point at which a foll offer for



Mr Robert Fell: happy with the market mechanis

outstanding shares has to be

This is unlikely to be enough to shelter widows and orphans from the harly burly of a tough market place, apart from which many preminent businessmen view the code with less than respect. Nevertheless, once introduced, regulations have a way of expanding, and in this case there is strong self-interest at work to make the Hong Kong market a respectable place in the eyes of institutional in-vestors. Step by step Hong Kong is proceeding down the road that has been travelled by stock

Property sector still dominates equities

THE STOCK MARKET in Hong, Kong is a volatile place, but much less so than it used to be. In 1973-74 the Hang Seng index collapsed by more than nine-tenths. So the fall from last July's all-time peak of 1810 to a low of 1114 in early October seems by comparison the merest hiccup.

The property sector dominates. Hong Kong equities, accounting for perhaps 60 per cent of the total. So it was events and repercussions in the property market that produced the run up to last July's peak and the subsequent slump.

A rapidly expanding money supply fuelled a runaway property market in late 1979-80, and last spring the stock market was further stimulated in spite of the high level of interest rates — which were standing at 17 per cent. The Government announced plans to phase out residential rent controls, while there was an enthusiastic response to the issue of International City Holdings and signs of foreign'

At the same time as the stock market was reaching its peak, extent of cross shareholdings the gap between U.S. and local interest rates had widened to 31 percentage points, and the Bank for example owns 60 per currency was coming under cent of the Hang Seng, while extreme pressure. The trade Cheung Kong owns 42 per cent weighted index of the Hong of Hutchison Whampoa. Jar-Kong dollar fell from 88.9 at dine Matheson holds a net 35 per 81.2 in September.

from August onwards, with a particularly severe collapse in cent.
September. The Government Me. pushed through the anticipated

SE TRENDS

DAVID FREUD

when it "persuaded" the banks to raise prime lending rates by 2 points to 20 per cent.

The property market, which had come off the boil by the beginning of last year, stopped dead in its tracks. Developers hegan to cut prices, albeit in a disguised way, and a conple of deals failed to turn up with the usual fat returns So shareholders hurried to pull clear of

the development companies.

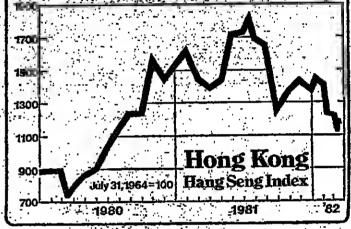
The shake-out was exacerbated by the prevalence of margin trading while a HK\$9.6bn stream of rights issues and flotations over the year did little to underpin prices.

Since October the market has fluctuated between 1100 and 1450, and in this area seems fairly solidly based, unless there is a shock like a couple of second-lina property companies

Sun Hung Kai Securities estimates that profits should rise by 15 per cent this year, which compares with 80 per cent in 1981, and at this level the Moreover, since the market is prospective market p/e is 9% or still dominated by individuals. On the other hand, the 1982

the appreciation of land values leads to a similarity of views of recent years. Next year the and one-way trading. impact of the fall in the property market will be reflected growing, nevertheless, and may in the profits of developers. So now account for 30 per cent of

volatility. Choice is narrow; while 240 stocks are quoted, only perbaps 15 are freely traded. Moreover, while total cent brokers' commission, while autumn which cannot be rul market capitalisation is stated stamp tax on each transaction out—could deal the market to exceed HK\$200bn, in reality ft is much smaller, due to the



·		4
STO	CK AND SE	LARES
	Parado V	Hang Seng
	Total	(31.7.64=
Year	HK\$m	100)
1977	6,127 27,419	325.30 526.91
1978 1979	25,633	619.71
1980	95,684	1.121.17
1981	105,987	1,506.84

within the company sector.

The Hongkong and Shanghai the beginning of the year to cent of Hong Kong Land, which 81.2 in September. in turn owns 40 per cent of The implications of this were Jardine Matheson. And so it absorbed by the stock market goes on. This factor may reduce from August anywards the size of the market by 30 per-

> Meanwhile, the speed of the economic growth sinca the 1950s means that the founders of many major companies retain controlling stakes. So the number of free shares is more limited than it looks.

> Information is poor, and the company accounts can be obscure to downright misleading. So what a company is achieving or plans to do tends to emerge in a baphazard and unpredictable way—encourag-ing rumours and sharp movements in company share prices. As Mr Barry Yates, of stock-brokers Hoare Govett, points out: "It's a personality market in the sense that particular individuals have a lot of power, so one has to know what they are thinking and doing, and their relationships."

Speculation has played an important part in the market, and there bave been several highly publicised takeover deals and battles in recent years. The property boom pushed tha ratings of the new development companies—often Chinese controlled-into high ground. From that vantage point they aimed at gaining under-utilised assets, generally companies with surplus land or property.

On a more positive note, however, the market is liquid and sees a high level of turnover by comparison with other stock exchanges round the world. so, while the prospective yield there tends to be a much is 7 per cent. than, for instance, in London, profits are still underpinned by where institutional dominance

The institutional presence is overall earnings may drop back activity. Last year turnover in 1983. Dependence on property market capitalisation, although developers is not the sole cause on the first quarter of 1982 of the Hong Hong market's activity has been running at less than half this level.

> encontaged through a 0.5 per sector later this summer is only 0.3 per cent. Meanwhile there is no capital gains tax blow.

and no withholding tax on divi dends for foreign investors.
Since the property collapse the ratings of developers hav come back a long way, as th

market has paid more emphasi to the quality of earnings. Thi means that in property a renta stream is more highly value than development profits, whil trade houses-the "Hongs"financial institutions and util ties have outperformed. Many property men believ

that it will be between thre

and five years before th property sector picks up again So utilities, finance and trac at present appear the best wa of plugging into Hong Kong growth trend in the near term So far there are relative few quoted vehicles in the manufacturing sector—but the new attitude to earnings quali may encourage more to come the market. According to Frank Heath of Sun Hung K We might well see a switch from property back to manufa

from pausanting."
So where does the market a from there? The Hong Kor economy may be slowing down standards, but the still means an official forecast 8 per cent real growth in GI this yaar. In fact, growing pr tectionism in the development, over textiles for instance may mean that the outcome rather below this. Neverth less, the economic backgroun can hardly he considered u hes'thy. However, the proper market is unlikely to provid much excitement in the sho term, as tha weight of new committed developments com

onto the market. At about 12 per cent, inflation rate is still high, hit is well down from the pe of 17 per cent, and fallir The growth in money supply likewise well down from pe levels. So, while interest rat are currently bigh, at 16 cent, there may be scope movement in a downwa

direction. Meanwhile, institutional lig dity is high and excitement the market last month seem change - sentiment amo fund managers. They were a ing their brokers whether th should be following the mari up rather than, as befo whether they should be getti out at relatively favoura

It is noticeable that any lapses have been taken as immediate buying opportun tions. Takeover speculati remains an all-important fact The recent huoyancy of market was fuelled by moves by Hong Kong Land take stakes in the telepho and power utilities.

So, at current levels, it los às if the Hong Kong market i found its equilibrium but so The high level of turnover is shock collapses in the prope favourable sentiment a sava

DEALERS IN SECURITIES IN JAPAN AND SOUTHEAST ASIA

INVESTMENT MANAGEMENT

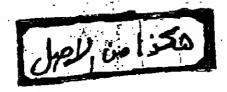
FOREIGN EXCHANGE

DEPOSITS AND LOANS

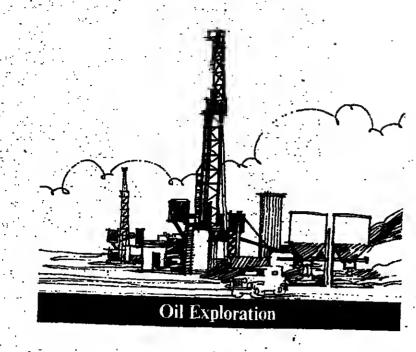
CORPORATE FINANCIAL ADVICE

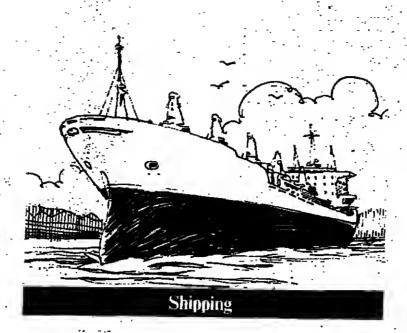
Jardine Fleming & Company Limited Connaught Centre, Hong Kong. Tel: 5-228011 Telex: HX 75608

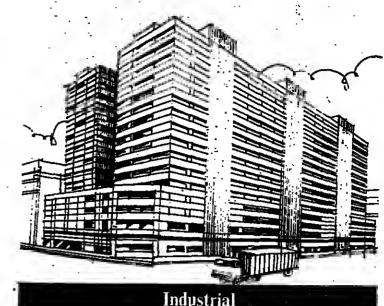
Jakarta Kuala Lumpur Menila Melbourne Singapore Tokyo

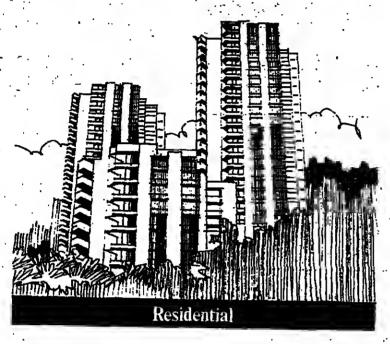


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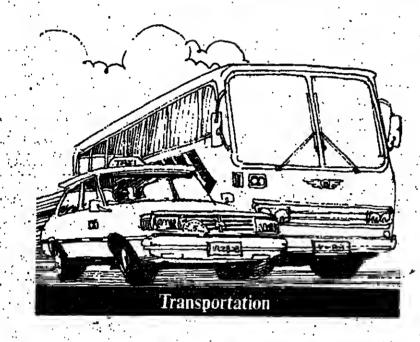






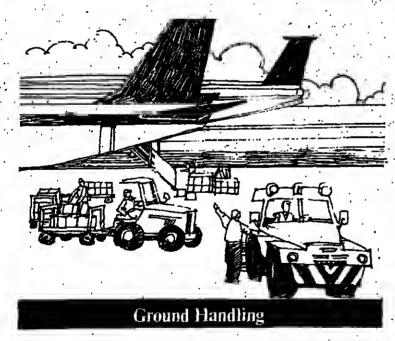
















Carrian's Commitment to Hong Kong's Growth.

Since its inception in 1979, the Carrian Group has become one of the largest and most progressive international conglomerates in Hong Kong.

As of December 1981, net assets of Carrian Investments Limited, the public arm of the Group, totalled HK\$3,378 million.

Diversification has become one of Carrian's greatest strengths, and one of the main reasons for its continued success. From a locally oriented property-based company in 1979, the Group has expanded into shipping, insurance, energy resources, transportation, tourism, travel, international real estate, retailing, catering and other investments.

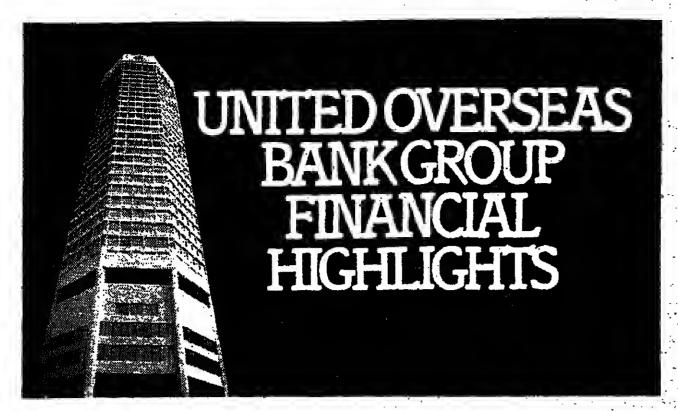
The Carrian Group's varied activities have now taken it far beyond Hong Kong. Regional offices have been established in Malaysia, the Philippines, Singapore, Thailand, Japan and the USA, to oversee existing

operations and seek out fresh investment opportunities.

If you would like to receive a copy of our annual report, please write to the address stated.



THE CARRIAN GROUP
Carrian Centre, 151, Gloucester Road,
Hong Kong. Tel: 5-8313111
Telex: 63392 CARIA HX



PROFITS AFTER TAXATION (\$\$'000)	1981	1980	Increase	%
The Group (after minority interests)	133,407	92,332	41,085	+44.5
The Bank (UOB)	91,181	57,854	33.327	+57.6

Final dividend of 10% less tax on the enlarged capital of \$\$394.5 million. Together with the interim dividend of 8% less tax, the total dividend for the financial year would amount to 18% less tax.

BALANCE SHEET AS AT 31 DECEMBER 1981

LIABILITIES	S\$'000	ASSETS	S\$'000
Capital & Reserves Debentures	973,903 102,450	Cash, Balances with Bankers and Money At Call	2,359,128
Total Deposits Other Liabilities	5,341,819 1,063,571	Government Treasury Bills and Securities	268,114
Acceptances, Guarantees		Investments	397,485
and Other Obligations		Loans & Advances	3,977,790
On Behalf of Customers	2,191,494	Other Current Assets	244,948
		Fixed Assets Customers Liabilities for	234,278
		Acceptances, Guarantees and Other Obligations	2,191,494
Total Liabilities	9,673,237	Total Assets	9,673,237

A copy of the UOB 1981 Annual Report is available on request

The United Overseas Bank Group (comprising United Overseas Bank, Chung Khiaw Bank and Lee Wah Bank): more than 40 years of experience in Southeast Asia, over 80 branches in Singapore, Malaysia, Hong Kong, Tokyo, London and agencies in New York and Los Angeles. Head Office: 1 Bonham Street, Raffles Place, Singapore 0104. Tel: 919988/912555. Telex: RS 21539/21804. Cable: TYEHUABANK.

Malaysian Central Offices: Ching Khiaw Bank, Bangunan Lee Wah Bank, 10-11 Medan Pasar, Kuala Lumpur, Tel: 87761. Telex: MA 30232 Cable: CHUNGBANK, Lee Wah Bank, Bangunan Lee Wah Bank, 10-11 Medan Pasar, Kuala Lumpur, Tel: 88351. Teles: MA 30265. Cable: BANKI, EEWAH.

Hong Kong: 34-38 Des Voeux Road Central, Hong Kong. Tel: H-257171, Telex: 74581, Cable: TYEHUABANK.

Tokyo: New Kokusai Building, 4-1, 3-Chome, Marunouchi, Chiyoda-ku, Tokyo. Tel: 03-216-4251. Telex: 22178. Cable: TYEHUABANK.

London: 2 South Place, London EC2M 2PR. Tel: 01-628-3504/7 Telex: 888278. Cable: TYEHUABANK.

New York: 130 Liberty Street, 27th Floor, New York, NY 10006. Tel: 212-775-0560. Telex: 232265. Cable: TYEHUABANK. Los Angeles: 911 Wilshire Boulevard, Suite 1800, Los Angele California 90017-3478, Tel: 213-623-8042, Telex: 6831011. Cable: TYEHUABANK.



US38/82



The Savings Banks Organization is Germany's largest bank grouping with a combined business volume of over DM 900 billion -a market share of some 40 per cent - and more than half of the nation's total savings deposits. Operating within the system are 598 independent Sparkassen and 12 Landesbanken, as well as 13 Öffentliche Bausparkassen (Public Building Societies), which together maintain 18000 offices and employ a staff of over 200.000.

Scope.

The facilities and services of Germany's Sparkassen permeate the entire economy, from the largest cities to the smallest rural areas. Together with the Landesbanken, which have their own offices, participations, and correspondent links in the world's major financial centers, the Savings Banks Organization offers its clients a broad scope of international service capabilities.

Legal Status.

All members of the German Savings Banks Organization are public-sector financial institutions. The liabilities of the Sparkassen are covered by the cities and municipalities where they operate. In turn, the liabilities of the Landesbanken are covered by their state authorities and by the regional savings banks organizations.

Service.

Unlike savings banks in many other countries, Sparkassen in Germany operate as local universal banks, providing both commercial and investment banking services. As an integral part of Germany's traditionally export-oriented economy, many Sparkassen transact considerable foreign business. Their facilities typically include letters of credit, documentary business, payments and collections, and guarantees. For larger scale foreign financing, the Sparkassen often work in tandem with the Landesbanken, which concentrate on

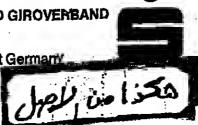
wholesale banking.

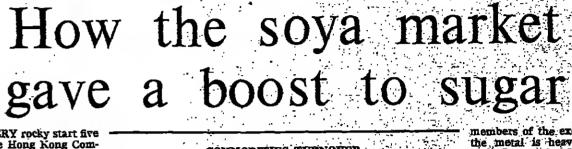
The 4 basic strengths of Germany's largest banking sector.

The Landesbanken, which act as central banks for the Sparkassen in their region, provide multiple wholesale banking services, ranging from commercial and public-sector lending, project finance, and foreign trade finance to portfolio management, security dealing, and international finance – often managing or participating in syndicated Euroloans and Eurobond issues. For funding purposes, the Landesbanken are authorized to issue their own bearer bonds.

For more information about Germany's largest banking sector, just write to:

SPARKASSEN- UND GIROVERBAND Simrockstrasse 4 P.O. Box 1429 D-5300 Bonn 1, West Germany





On the commodity exchange trade in cotton futures remains in suspension rather than closed

AFTER A VERY rocky start five years ago, the Hong Kong Com-modity Exchange has now begun to pay its way. It still remains small by the standards of, for instance, Chicago and is over-reuant on business generated by apanese members. Nevertheless, with contracts in both soyabeans and sugar firmly established, the exchange is now vigorously investigating plans to introduce platinum contracts and a financial tutures Larket Un a less happy note, last September saw the avandonment of trade in cotton futures -although the market remains in suspension rether than closed-while a series of changes nesigned to make the goin contract more attractive have so tar tailed to stimulate

the exchange opened in May 1977, onering a cotton futures contract, since some 30 per cent or world raw collon production was bought in the region, the idea was to oner manufacturers a neuging opportunity, some thing that initial research indicated they would welcome. tinued to preser taking their UMIL price risks, rather than

DenktyR ryent . Tpete Man 110 mancial incentive for them to neuge, as in New York, where banks look a oun view of spinwho. lett memselves exposed to the risk or voiatile price changes.

in Hong Kong the market hecame nominated by a single merchant and this may have irigniened others away. So, last in Malaysia and Indonesia. The September Ourstanding contracts were balancen out. All the of difficulty in attracting their requirements for a market are recamed, nowever, inciding an to cover risks. agent in Texas and it coun oe re-activated of Bemand, The CACHENER IS INVESUEBLING WEYS of forms 20.

Second contract.

Sugar was the second contract to be introduced in november 19,7 and again trading was extremely thin for the next two or three years. The problem was that while Hough world had and has plenty of individuals prepared to take speculative positions, there was snortage or commontly users wanung to hedge.

with this proofem in mind, Mr Peter Scares, the chairman or the exenange, invited a delegation of Japanese Orokers to oliner: "Iney were a significant proportion of our total membership—about 20 per cent—and I asked inem what they thought the exchange could

"They formed themselves into a group of traders and said the exchange could usefully develop a soyabean market.
There was a large physical
demand in the region, particularly from Japan. Meanwhite, tney wanted the market organised in their own way."

Do in November 19/9 a soya bean contract was initiated instead of open outery in which individuals agreed various deals, the market was arranged to accommodate group trading, in which a single price is established in a similar way to the London gold fixing, at four calls

The contract was based on the 60-kilo bag used on the Tokyo exchange, and the calls were imed to succeed those in Tokyo The price in each call is estabhe system developed in Japan to cope with orders coming through on headphones.

.The Japanese and the market conveniently situated to collect orders through the region. The ax regime is less onerous than in Japan, and the timing of the calls gives the maximum scope for arbitrage opportunities. So the market took off. Last year 442,708 lots were traded, a gain of 150 per cent on 1980. This year volume has been running at twice this rate, bringing activity op to the levels seen in the Tokyo market itself although Chicago remains many

The soya market gave a boost to the sugar contract, which bad by then more or less died on its feet and in 1980 the sugar contract was re-established to allow the group trading system he Japanese brokers preferred. Again this produced a very encouraging trend, and the number of lots traded went up by 565 per cent last year to

	COMMO	DITIES T	TRNOVE	æ	
		(in lots)	2.		
	3977	1978	1979	1980	1981
Soyabean .	No. 1 Profession	_	9,023	170,482	442,708
Sugar,	1,410	2,323	109	17,969	119,534
Gold :			-	26,674	32,740
Cotton	9,151	6,908	- 507	14,630	15,914
Overall	10,561	9,231	9,639	. 229,755	610,896
	Source: T	he Hong K	ong Con	modity Exc	hange.

The most important thing ing the Japanese authorities about these two contracts was are making sure that business that it put the exchange's is conducted at bome. finances on an even keel. The exchange is now easily cover-ing its running costs and has managed to pay off its start-up expenses completely.

Last year total income was contracts was an important source of funds, interest receivable took over as the most important contributor. Overall expenses last year represented only a quarter of total income. With two relatively successful contracts hehind it, the exchange has been looking for further opportunities. Since the

Chinese are known the world over for heing inveterate gamhlers, it is no surprise that the exchange has never felt a lack of speculators. As well as the Chinese population of Hong Kong there is plenty of interest elsewhere in the Pacific basin. from individuals and companies exchange has had a great deal as the Loco-market. counterparts, hedgers.

While membership of the exchange runs to about 150, obtained membership as a way world. Of the 50 or so active traders, 28 are Japanese brokers, who still dominate the trading. Against this back-ground, it is perhaps not sur-prising that the gold contract introduced in August 1980 bas

been high on Japanese prior- proposed by some Japanese

ities. While this may be chang-

ket was opened in Japan, and a futures market opened in autumn. Over its shoulder it is March. Against heavyweight also watching the progress of its competition, the Hong Kong market has got nowbere. Only HK\$8.1m, and while the levy on 15.914 contracts of 100 ounces were traded over the whole of 1981 and the daily rate is even lower. While the Japanese brokers feel inhibited about trading in gold in Hong Kong. there is stiff competition attracting local investors in the shape of two spot markets.

Gold and silver

The Chinese are attracted to the Gold and Silver Exchange:
(Kam Ngan) which is unregulated and where tax collection is accordingly not strictly enforced. Even bigger is the extension of the London market run informally by branches of membership to participate.

London bullion dealers, known: The problem is the conven

gold contract to make it more attractive over the past year, It introduced same-month delivery; only a third of these are active and allowed traders to take out on the floor. The rest have in cash part of their paper profits without closing a con- prove a natural fit. of gaining acceptance in other tract, to encourage the aritra-commodity exchanges round the geur. So far the required impetus has been lacking, and the Itself, which has a wide speen exchange is considering what trum of trading business further adaptations to make.

There is more prospect of a successful platinum contract the Hong Kong dollar. Wheth developing bowever, and Mr they will prefer to take on the Scales hopes that one may be own risk—like the cotton sp introduced hefore the end of ners-only time will tell. Gold has traditionally not the year. The contract has been

the metal is heavily imported into Japan. So far the only place to offer a contract is New York, which is inconvenient for timing reasons for the Japan see. The exchange is investigated in whether physical availability and specification can be guaran-teed: if it is satisfied the con-tract will go ahead:

The other key developmen concerns financial futures. The exchange has set up a working party to investigate possibilities. but their findings so far are at an early stage.

The exchange is very closely tuned in to what is happening in London, where the London Exchange is due to open in the, main rival in the South Pacific, Singapore, which has in its turn established a working party on financial futures.

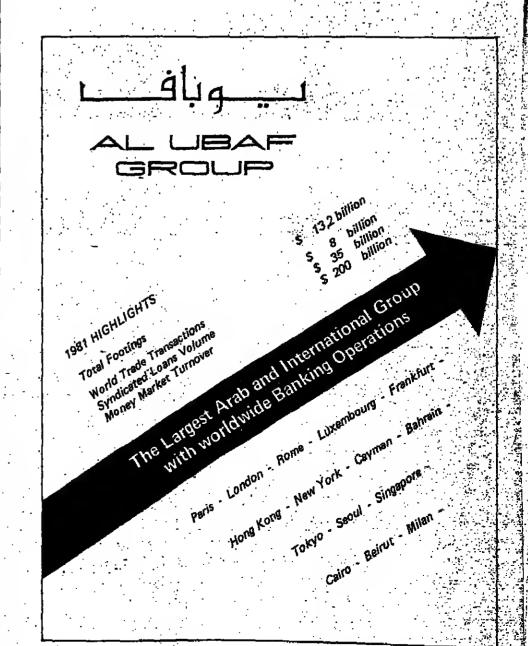
The likelihood is for two series on contracts, one basec on currencies and the other or interest rates. Hong Kon hissues no long term debt, s there cannot be the equivalen of the proposed gilt-edge contract in London.

The Japanese membership not expected to be interested financial futures, at least not the early stages, so it will be tough challenge for the exthange to make the contra work. In assence it will had to build an entirely new acti-

of that in London, where the The commodity exchange has are likely to be plenty of speculators. In Hong Kor there should be no shortage. speculators so on the face it the Hong Kong and Lond financial futures markets cou

> finding hedgers in Hong Kol trum of trading business exposed to the greater-that average currency vagaries: the Hong Kong dollar. Wheth

David Free



WINSOR INDUSTRIAL CORPORATION

Main operation stays local

Winsor Industrial Corporation is the largest publicly-traded textile company in Hong Kong. 11 is also one of the few vertically integrated companies, producing yarms, fabrics and garments. The chairman, Dr T. K. Ann. was an important texture. was an import/export trader in Shanghai — where he wrote a university text hook an Chinese on trading—before moving in Hong Kong in 1948.

He set up Winsor with a group of friends in 1951, and the company went public in 1969. The cares of running a successful company have not stopped him writing, how-ever, for Dr Ann is midway through publishing a fivevolume work introducing an integrated system by which Westerners can learn Chin-

The company's growth has been rapid. In 1969 external sales were HK\$201.2m, rising to HK\$1.2hn. Net profits have even faster, from

HKS14.1m 10 HKS107m, helped significantly by a series of acquisitions.

Even in terms of earnings per share, however, growth has been ronning at 15; per cent compound annoally. Through the 1970s Winsor has been moving up market. and now is involved in areas like fashlon designer clothes.

The recession round the world and export quotas have helped to produce a slow-down in the last couple of years. In 1981 there was a decline in profits for the first time since 1975. The company is caught between rising costs in terms of rents and wages and stagnant prices.

Dr Ann points out, however, that even last year the return on capital was considerably bigher than that achleved hy competitors in the U.S. and Japan. The retorn on capital is in fact still above 20 per cent, alheit in terms of historic costs.



Dr T. K. Ann. chairman; expansion reined back

Nevertheless, it is notice-able that the uncertainties over the future and worries about protectionism in the

West have reined back expansienist plans in the group. Capital commitments in the current year are down from HR312.6m to HK\$3.3m, admittedly after a period of high capital expenditure. At the same time the group last year clused down one of its spinning and weaving factories, and is redeveloping another site in a joint venture

The group's style is to operate through six independent subsidiaries which are responsible for their own operations. Intra-group trading is conducted at arm's length prices. Winsor has recently extended its operations in Macao, where wages are lower, hnt the main operation is likely to remain Hong Kong for the foreseeable future. As Dr Ann points out: "None of the companies which have switched their operations overseas have been very successful."

JARDINE, MATHESON

End of difficult decade

anniversary. Throughout its of hindsight we expanded too history the company has been rapidly. Subsequently we closely involved in the key devactually moved back into Hong elopments in Hong Kong. It has Kong. been publicly quoted since 1961. and still maintains its original Hong Kong interests in shipping-related and financial

profits record. Jardine's earnings per share have risen by a cent of the Zung Fu velucie relatively low 318 per cent since 1972; by comparison those of the associated company Hong Kong Land have increased nearly eight times.

Hong Kong, and accordingly up some of the lost ground in the intricacies of accounting missed out on the sharp profits growth of the domestic property may find Itself hobbled by a patented equity accounting

THIS YEAR Jardine, Matheson David Newbigging, chairman of reduce the room for manoeuvre and Co., the leading Hong Kong both Jardine and Hongkong and will take some years to be business celebrates its 150th Land, says: "With the benefit hrought down to a more

The main diversifications abroad were a Hawaiian sugar company in 1973, which last year made a loss; a major interest The past decade, however, has

The past decade, however, has been difficult for Jardine. It shared the 1970s as the acknowledged doyen of Hong Kong companies; now it is an also-ran in terms of market capitalisa. The reason lies in the shared the 1970s as the acknowledged doyen of Hong Kong the company hought a substantial construction and substantial construction. mon (Hong Kong) and 75 per trading company. These two have tended to perform rather better than the forcign acquisitions.

In fact, with the property Jardine." In the 1970s lardine pushed boom well off its peak, the rela-

comfortable level.

At the same time Hongkong Land built up a 40 per cent stake in tardine, and critics charge that the reason for the development of the cross-shareholdings was to establish a tuutual againsi defence anempts.

Mr Newbigging denies this and claims that the timing of the share build-ups was coin-cidental, "lardine had a long relationship with Land, yet over years the shareholding declined to less than a per cent. So Jardloe decided as a matter of policy to build up the shareholding again. Meanwhile, the Land company's strategy was to broaden its operation a bit from pure property to other interests. So it decided to invest in

tbrough ao aggressive diversitive quality of Jardine's profits extent of the cross-shareholdings fication programme outside might have allowed it to make requires that investors master markel. Moreover, the returns decision taken in 1980 to build method for dealing with this from the foreign acquisitions a 35 per cent stake in Hongfailed to match their promise — kong Land. This had led to "clean" profits of both contshare shou
at least in the early years. Mr high capital gearing, which will panies would total HK\$1.37bn accordingly.



Mr David Newbigging. chairman: expanded too rapidly

after tax and minorities. In fact, the stated total runs to

This is because Jardine's net earnings of \$723m include a 35 per cent share of Hongkong Land's \$1.4bo, which includes 40 per cent of Jardine's \$723m; Whatever the origins, the and vice versa. The swelling of stent of the cross-shareholdings the simple "clean" figures is not so reprehensible as at first it appears. The cross-shareholdlngs mean that profits are ultimately attributable only to the outside shareholders of each company, and the earnings per share should be increased

HUTCHISON WHAMPOA

strong balance sheet

HUTCISON WHAMPOA has root stretching back to the earl 19th century, and has the period of the Cultural finacial disaster by the Horkong and Shangbai Banog Corporation, once in theast century and on the secid occasion in August 197 Nevertheless, it now harone of the stronges! coranies in Hong Kong, and its gh cash flow will allow it undertake a formidable desopment programme thighout the rest of the

It icontrolled by the fastegring Cheung Kong party group, which now bd a 42 per cent stake, af the transfer of The af the transfer of The B/s 22 per cent stake in Sember 1979.

In late 1960s Sir Douglas Cle. the chairman of Halson International, as it wthen called, went on a hig spree. From ooly H3m in 1964 the comissued capital to almost HK\$250m end of 1974, and net rose from HK\$10.8m

Revolution in China, In the words of Mr John Richardson. the present chief executive. "He went long when everyone else was going short." In retrospect the most important acquisition was a controlling slake in the Hongkong and Whampoa Dock Company.

Over-extended, the 1974 recession caught the company in a cash-flow trap, while particular problems emerged in an equipment suppliers business in Indonesia. With pressure emanating from British and U.S. hanks. The Hongkong Bank made a tender offer for 30 per cent of the stock for HKS150m and a new chief executive. Mr Bill Wyllie stepped in.

The policy was to sell excess assets for cash — with one important exception. The slake in the dock company had been croded from 45 per cent to 28 per cent; now the company exercised an option to build up its stake by a further 14 percentage points. and managed to buy a further 9 per cent without alerting the market. In 1977 a full

merger was engineered. The company now had enormous

surplus land resources at a lime when the property market was poised to shoot ahead. So in recent years it has undertaken an extensive property development programme, selling off offices and apartments while retaining retail space to establish a rent roll which this year should produce profits in the region of HK\$200m. The company owns three con-

tainer berths, half the total in Hong Kong, which is also producing healthy profits. Minority stakes in television. the Cross-Harbour Tunnel Company and Consolidated Hotels have produced good cash returns

In the past couple of years the company has used its surplus cash to buy in minorities in its trading and retail division and in quarrying. This process has now been more or less completed and the balance sheet shows cash net of all deht of HK\$135m. against shareholders' funds of

A considerable development programme is now contem-plated. On the property side

the Hunghom Dockyard Redevelopment on the Kowloon peninsula may take 10 years. The company is also considering whether to make a further heavy investment in more container berths—at a possible cost of HK\$1.5bn, It is aiming to expand its local relailing interests, in supermarkets and chemists. In spite of the amhitious scale of this programme, it could well be financed out of internally generated funds-

depending on timing.

Meaowhile the stock bas recently been one of the most huoyant on the market. Appreciation of the sound financial position and growth prospects has probably been a secondary cause. More important has probably been speculative interest over the possibility of a full takeover by Cheung Kong. Here there may be disappointment. The Takeover Code allows 5 per cent of a company to be bought each year. Cheung Kong could hump up its stake heyond 50 per cent within two years, without making a general offer to all share-holders.

SWIRE GROUP

High capital gearing

standards of Matheson and Whampoa, the Swbroup is a newcomer to g Kong. The group beateveloping its shipping acres in the East in the 1915 ft was not until the blong of the centory that if Too dockyard on Hong its Island opened for thing

he ivate parent company the Swire group. John are d Sons, is hased in ndon/It has four main tratin arms, hased in ndon/Fokyo, Hong Kong i Ausalia. Of these the at Austalia. Of these the stimptiant is Hong Kong. Aich couprises about 55 per nt of the assets and profits the ronp. Here the terests are controlled arough the quoted company wire Pacik, of which the arent hold nearly 48 per ent of the being equily.

The 1940s leaft the group a savage blow. At the end of the Second World War more than half the group's ships were lost and the Hong Kong dockyard and sugar refinery were left in ruins. The Com-munist revolution meant the finish of the Chinese river and coastal trades and the loss of extensive properties on the extensive properties on the mainland.
The initial work went on

recreating the shipping and shipping-related husinesses the group had traditionally heen in. At the same time in 1948—a controlling interest in the airling Cathay Pacific was hearth. was hought. The next diversi-

was hought. The next diversification took place in the early 1960s, when the company entered the bottling husiness. In the 197hs the group hegan building up its offshure supply ficet, which is now one of the 10 largest in the Guic West and operates in the Gulf, West Africa, India, Indonesia and Brunci, In Hong Kong, Swire ohtained two of the six con-tainer herths developed in the New Territories, while more recently property has hecome an increasingly hecome an increasingly important element in total

profits.

The group's Hong Kong land hank from the old dock-yard days has given it a head start as a developer but it has been hamstrung by shortage of cash and so has tended to sell the bulk of its developments. Last year within property profits of HK\$588m, only \$92.3m derived from the

rent roll.
This year, with the property market well down from its peak, "property profits will he lower" according to Mr Duncan Bluck, the chairman of Swire Pacific.

Meaowhile, capital gearing is fairly high, and last year there was a cash outflow of HK31.3hn. In spite of a property revaluation, net debt



Mr Duncan Bluck, chairman: tower property profits

last year moved up from 52 per cent of shareholders' funds to a little over 70 per cent. So last autumn, when unit sales at the group's hig redevelopment at Talkoo Shing came in a virtual standstill. Swire was in no position to hold out and out in the control of the contro to hold out, and cut its effec-

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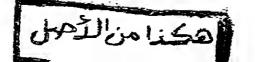
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. :	PROP	ERTY	
	Commercial space built (square metres)	Vacant at end-year (square metres)	Space taker up as % of total built
1978 1979 1980 1981 1982†	211,700 227,200 372,300 314,500 382,800	239,700 263,506 333,090 423,300	85 66 53 57
	Office space built (square metres)	Vacant at end year (square metres)	% taken up
1978 1979 1980 1981 1982 ?	185,400 178,300 296,700 319,300 485,100	131,000 78,700 202,900 301,900	158 125 42 64
† Estimated:	Source: E	lengkong and Sha	nghai Bank.



Left: Nathan Road, where prime rents have reached HK\$140 per sq ft. Above: view of the heart of Hong Kong's commercial district, looking towards Kowlaon.

Michael Cassell says the market is grappling with high interest rates On the next two pages he looks at major groups and progress in housing

Building boom comes to an end

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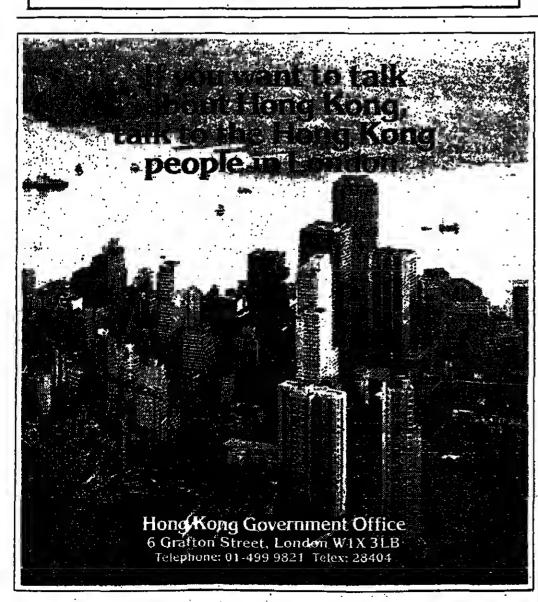
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"IN THIS market we expect of space was huilt during the five years fat and twe years year and the figure is set to rise flat." It takes little insight to about 4m aq ft in each of the establish which particular phase in the cycle—spelled out by Mr. Trevor Bedford, the managing director of Hongkong Land-the Hong Kong property market is now experiencing.

Years of "fat" there have certainly been, with property values quadrupling, rents esca-lating and new development reaching a pace which few other real estate markets have ever managed to achieve. For the time being, the "flat" phase is very much in evidence and may well be for a longer period than Mr Bedford is prepared to envisage.

The seeds of the latest boom

were sown in 1976 when confidence hegan to return to the local property market, after the two-year standstill which came in the wake of the stock market collapse. There were growing signs that demand for floorspace in all sectors was rapidly moving ahead of supply and by 1978, activity had been atepped up

Much of the fresh wave of development was supported by a huge influx of money from the rest of South East Asia— there are no restrictions on the inflow and outflow of funds -and it was the residential sector, which forms an integral part of the property develop-ment and investment market in Hong Kong, which led the way.

· It was the residential sector which proved the most active hunting ground for the speculators who funded new developments and then hought and aold them as prices rsced ahead, establishing what in effect became a "futures" market in apartments.

But If the signs of a change in the economic climate were growing, many speculators pre-ferred to ignore them until It was too late. In 1980, when the new era of high interest rates finally arrived, the residential pipeline was hurstling with new units and developers were

There has been a huge reversal in residential property values, with 30 per cent falls in some places.

taking delivery of apartments for which buyers, frightened off hy totally unjustified prices and high interest rates, were

suddenly absent.

The net result has been a huge reversal in residential trict, Wanchai and Tsimshstsui property values, with falls of and the oversupply is being felt up to 30 per cent being by them all, although Central recorded in parts of the colony. At its peak in 1981, the market saw some prestige develop-ments being sold at prices over

developments range from about HK\$8 to HK\$15 per cent sq ft per month and there is good demand for residential accommodation at rents of up to HK\$50,000 per mooth. The pattern is patchy, however, and asking rents for some of the most sttractive island locations bear little relationship to what

the tenant actually has to psy. Many vendors are outwardly maintaining their prices but reducing them via the avsilability of special psckages. The general view is, however, that the market will not show real signs of revival until interest

rates hegin to fall.

It is a view which can he equally well extended to other sectors of the local property market, where surpluses of space and generally slack demand bave created what amounts to a glut of accom-In the retail sector, another

target of the army of speculators who were able to take advantage of strata-title laws which permit fragmented ownership of huildings, the recent high level of activity has left a large oversupply of new space.

Although last year's supply was about 12 per cent below original forecasts, the total for some years. Over 3m sq ft per cent of all newly completed

next three years, leading to a 25 per cent increase on total stock recorded at the end of 1981.

This year alone, there will be over 8m sq ft of retail floorspace available for occupation, over three times the highest annual take-up recorded since 1977. Last year, the amount of retail space newly occupied accounted for less than 60 per cent of all new floorspace built.

The problems of the retail sector are not, however, confined to the question of simple over supply. By permitting full coverage of any site for the first 50 ft in height, Hong Kong's development control laws have development control laws bave encouraged the building of office towers above retail podiums. During the recent boom, many such podiums were sold off the plans to numerous speculators who look units of 200 sq ft and upwards.

Multi-ownership of this kind has made control of trade-mix. design and fitting out virtually impossible and as, in many cases, the prices hore little relation to the rent-paying ability of the tenaots, several major schemes have now become

The completion of at least ten prominent podium shopping complexes over the last year has added to the problems of oversupply and the end result is that tenanta are paying much closer attention not only to the location of available floorspace hut to the quality of the man-agement of particular develop-

Although the retail market is generally sluggish, there re-main bright spots. Among the most impressive of these is Tsimshatsui, an impressive retailing centre across the har bour in Kowloon which has be-come the natural magnet for tourists. A combination of airconditioned, multi-story shopping mails—such as Harbour City—and more traditional shop-ping streets provides unlimited eboice in consumer goods and some excellent resl estate investments.

Prime rents In locations like Nathan Road have been reaching HK\$140 per sq ft a month while rents for top quality space in Central District shopping centres are closer to half that

in the office sector, a fairly buoyant takeup position has not managed to stem the grow-ing tide of surplus floorspace. The principal office locations sre in the central business discan expect continuing strong demand for whatever prime space becomes available.

ments being sold at prices over HKS3.000 per sq ft hut now prices of good quality apartments on the island range from around HK\$200-700 per sq ft, while well-located garden-house was built, a figure which will be nearer 5m sq ft this year. Similar supplies are forecast for while well-located garden-house was schemes command prices of be nearer 5m sq ft this year over HK\$2.000 per sq ft. Similar supplies are forecast for Rental levels for bigh quality both 1983 and 1984, a performance range from about ance which will add over 15m sq are which which will add ove

stock of such space recorded at the end of 1981.

Last year, take-up in the office sector reached over 2m sq ft but over 3m sq ft remained vacant, an increase of nearly 50 per cent over the year as s whole. The figures are global and some sections of the office mar-ket will continue to perform better than others. But supply increases over the next three years it seems likely that a greater proportion of vacancies will relate to space in the lower

grades.
At the same time, however, high rents and prices for cen-trally located offices are encouraging tenants and owner occupiers to examine alternstive locations. In 1979, two-thirds of all office space was built in the Central/Csuseway Bay area but the proportion of new development in this area is now down to around one-third, a figure which reflects the growing difficulty of finding new development opportunities but which also mirrors the growing trends towards greater geographical distribution of office accommo-

A larger proportion of office volume of new retail space avail- developments is being offered able increased at its fastest rate for sale. Last year, about 50

four years ago, another reflection of the occupier's deter-mination to avoid high rentals other parts of the market are and share in the uplift in capital values.

The same pattern of surplus and slow demand is repeated in the industrial property market, facturing activity has taken its toll. Hong Kong has a total

Several of the major developers believe that the market will remain the expense of locations like Shatin, which is still having a job in attracting new businesses. five years.

stock of about 150m eq ft of industrial floorspace, about three-quarters of which is used manufacturers and most of which is in the form of flatted factories, fully utilising the expensive land which is avail-In 1981, more than 11m sq ft

of new space was completed and a alightly lower total is forecast for this year. There are suggestions that the figure could rise agaio, however, to nearer 18m sq ft during 1983 and over 20m sq ft in the following year. Whether or not this volume of space actually materialises remains to be seen, but there are already clear signs that developers are curtalling their original programmes. Average take-up between 1977 and 1981. has been running at under 10m sq ft a year,

The most obvious weaknesses originally agreed. It is the extent of the wide emerged in the New Territories, spread oversupply of space and

Mun. Kwai Chung-Tsuen Wan and Shatin. Rents in these and anything up to 25 per cent below the peak abtained in 1981.

Industrial land prices have also been affected and in some prospects for recovery may well-favour places like Kwai Chungand Tsuen Wan, with their Mass Transit Railway connections, at

land release programme to a bare minimum, though it, believed it, was injecting as expected to provide.

But more recently the volume of land being made available: fer all types of development has been stepped up, only to find that there are few, if any takers in the market. From a point at which developers were asking for phased payment of land acquisition—such were the costs involved—there have now been complaints from-competitive bidders that delays in payment on the part of some originally agreed.

where the majority of new difficult financial environment lies ahead."

of space was huilt during the schemes were either pre-sold or development work has been which gives rise to doubts year and the figure Is set to rise made available for sale, comto about 4m au ft in each of the pared with only 25 per cent just have been locations like Tuen market's ability to resume its forward march quite as quickly as some would like to hélieve.

Several of the major developers believe that the market will remain fairly stable iocations, such as parts of though they are all convinced Kowloon Bay, the Government that the next hectic bont of cannot sell industrial land at activity is simply a matter of asking prices, as much as two when and not if. While the marthirds down on the peak. The ket position may provide little ket position may provide little solace for those developers wh over-extended themselves at the term oportunities remain no deniably immense.

It is, of course, the longer-term future of Hong Kong and Small wonder that the term future of Hong Kong an government is finding it its relationship with Chin increasingly hard to fulfil the which overshadows all other volume of land sales and considerations though for the hally needed revenue that it time being its effect on the course of the commercial presents. which overshadows all other considerations, though for the has needed. For years, it has course of the commercial pr been criticised for keeping its perty market is not at all apparent

much as it could reasonably be a topic for conversation rather than a deadline requiring post five action. So far at least, the market has shown no inclination reasens—between the island itself and the New Territories But sooner, rather than later

the property market will have to begin taking the politica. To end where we started, with. the words of Trevor Bedford; "Hong Kong is all shout con-fidence and there is a realisa-tion on all sides that comething; will have to be sorted out. For purchasers have enabled them tion on all sides that comething; to take advantage of the falling will have to be sorted out. For market and pay less than was the time being, the upertainty. is of little consequend but, by It is the extent of the wide: the end of the decade we must

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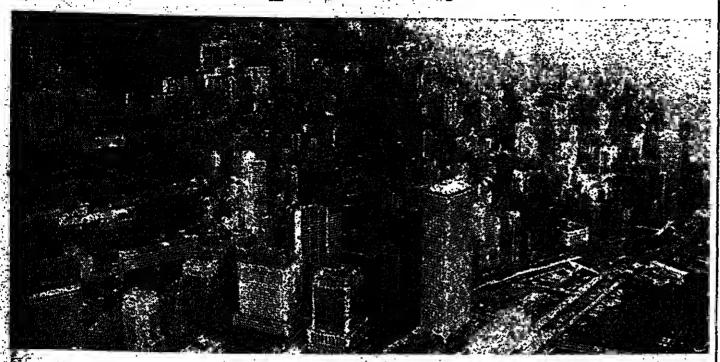
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Blue chip company scorns its complacency critics



An aerial view of Hong Kong with Connaught 1 dominating

ONGRONG LAND is one of the world's largest property companies and as such inevitabily attracts its fair share of criticism aa well as praise. The critics believe that any . company of Hongkong Land's tize must generate a comfortable complacency and they see as an organisation which has granscended the realms of vul-Merability which keeps most companies on their toes.

ld

Figure ils

As one put it: "The Land Company has the power to decide what location constitutes prime merely by deciding whether or not to be there. It can set rents by boardroom decisions rather than by taking account of the state of the lettings market."
Such observations receive

scant treatment at the hands of Hongkong Land, which accepts it represents the blue chip investment in Hong Kong, which undoubtedly develops and owns the best buildings and which, without question, enormous financial resources and an excellent track

Any suggestion of com-placency, however, meets with predictable scorn and it is, indeed hard to justify after a His ambitious development promarket is underlined in figures with the move clearly designed gramme and a taste of the which show that about 21m sq ft to prevent third-party bids but

events for the last 18 months contains some impressive entries. It started work on the 600,000 sq ft Edinburgh Tower. a vital component in its massive district, took a 35 per cent stake in the HK\$2.8bn Miramar Hotel site purchase, acquired stakes in Hong Kong Telephone and Hong Kong Electric and paid firmly believes that its long- net profits of HK\$1.43bn, up

The group has never been slow in acquiring property invalue of existing investments and the purchase of the socalled Connaught II site is just such a case.

A three-tower office scheme providing about 1.28m sq ft of lettable floorspace is to be developed alongside Land's exist-

> HONGKONG LAND

ing Connaught I office complex and the two schemes are to be christened Exchangs Square, and long-established ties with The Connaught I tower is to be another Hong Kong corporate reclad externally.

the Bark of Canton building in and of 1980 when the two Des Voeux Road, which it will groups established 40 per cent redevelop along with a site it cross-holdings in each other's already owns on the same block. The extent of the group's inlook at the present scale of fluence on the local property

between now and 1987 will Landmark Centre in Central sq ft of lettable accommodation. utilities. The group accepts that the

HK\$4.75bn for the last remain- standing policy of concentrating no less than 134 per cent from

ing prime chunk of develop- on prime locations, first class ment land in Central. properties and the highest standards of professional managewill ensure sustained

positive advantage as tenants have the benefits of good property and good landlords driven home to them by the misfortunes . of . others. . A minimal vacancy rate would, so far at least, appear to bear out that conviction_

fact that, given the recent sharp sq ft of floorspace. increases in rental levels. around half of its portfolio is cipal attributes as recurring let at levels well below current market rentals, implying a subonce reviews—three years is the norm-come through.

Hongkong Land has close giant, Jardine Matheson, an arrangement which took a On a smaller scale, the group arrangement which took a has recently paid HK\$500m for major step forward towards the It is an arrangement which

has come in for some criticism, vestment operation, though its belong to Hongkong Land. Its empire now extends to the prime portfolio in this area ownership of food, trading and alone will then total over 5m distribution, hotels and public

local property market is now ex- no less impressive than its for Denver and possibly perioneing a more difficult stock of prime floorspace. In Houston and Vancouver. The

1980. Total assets exceed HK\$26bn and its Interests extend to 13 countries in the region.

Present trends could, in fact, in Hong Kong is concerned, the provide the group with a cost and scale of present activity gether with the shortage of land -makes it likely that join venture partnerships will con tinue to represent a major option for the group. Last year Hongkong Land entered into a further nine such arrangements bringing the total in the colony Hongkong Land also makes to over 30 and involving the considerable capital from the provision of more than 10m

Hongkong Land sees its prin quality earnings from a tor quality portfolio (in marked stantial upturn in earnings contrast to some troubled companies whose earnings have been trading activities, the group's trading operations currently provide about 30 per cent of profits) and the resources and development challenge worth taking on. With more than 60 development projects at varying stages of completion, the strains are showing through and the group now admits to stretched managerially.

Hongkong Land remains a fundamentally Hong Kong-based enthusiassm with which it of the 41m sq ft of prime floorconducts its business.

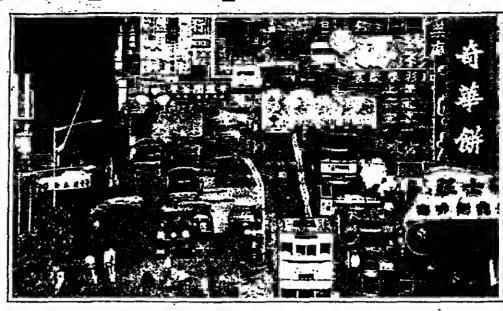
The Hongkong Land diary of Central Market through a series

events for the last 18 months of major development schemes property development and inon further overseas activity and is concentrating its efforts in Australia, Singapore and North America.

Although it is not revealing

too many details yet, the group The group's profit record is has characteristically big plans periencing a more difficult stock of prime floorspace. In Houston and Vancouver. The phase in its volatile history but 1981, it recorded consolidated Benver joint venture should be

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Medium-term future depends on MTR deals

property development and investment company started up by two brothers in the early 1960s, has recently threatened to dominate the Hong Kong property scene.

Hang Lung's emergence as the leading partner in three separate consortia appointed to carry out all nins of the Mass Transit Railway Island Line station contracts so far awarded bas been the centre of much interest and not a little contro-

Eyebrows have been raised over the group's financial staming in respect of the mas-sive capital commitment involved in the Island Line scheme There have siso been rival mutterings about the outcome of negotistions over land premiums between the MTR suthority and the government, which have gone in Hang Lung's favour.

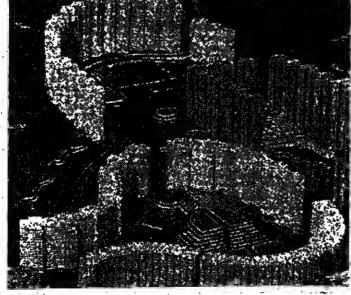
Hang Lung is undeterred. highly delighted with its coup and determined to convert its tendering success into one of Hong Kong's more outstanding speculative ventures.

It began life determined to build up a healthy source of recurring income, which it bad suffered at a time when many competitors were concentrating on development and trading

The group took s long hard look at a large land bank, held at historic costs, and began to take a much closer interest in developer-trading activities.

By the time the MTR contracts came along Hang Lung was in the market for large-scale developments, as witnessed by its extensive residential development programme and the present construction of the Argyle Centre Tower I in Mongkok, originally intended as an investment but in which all the office space has been pre-

About 70 per cent of the retail floor space has also found It points out that although the sizeable cash flow from exist-



A proposed development by Hang Lung at Kornhill

HANG LUNG

buyers. Most of the group's 1982 succeeded in doing by the time buyers. Most of the group's 1982 it went public in 1973. But in group's 1982 to group this objective its results HK\$ 550m against HK\$221m in 1981—are expected to come from these transactions. Hang Lung is also involved in the development of Argyle Centre Tower II, due to be completed next year.

But it is the MTR contracts on which the group's mediumterm future hangs and there bave been fesrs over its extensive commitments at a time when the property market is having a rough ride and the group's borrowings have risen sharply to more than HK\$ 1bn, over 11 times shareholders'

funds. But Hsng Lung is by now nsed to the arguments and is well prepared with the answers.

total costs of construction and land premiums are expected to reach a massive HK\$ 10hn, its own share of costs will only reach around one-third of that

Development of the island line sites begins in carnest next year, but the group emphssises that the construction, periods will not be concurrent and it describes the programme as "a comfortable seven-year commit-

There is also the prospect that with property values weakening, some of the land premiums payable to the government and now under nego-tiation could be lower than the figures originally built into costings, to the benefit of Hang Lung. In one case, this has already happened. Another six station sites have yet to go out to tender and Hang Lung may be back for more.

The group is looking for a

ing development projects over the next 18 months to two years to help it to finance the MTR programme. It is also well sware that its existing land bank will be substantially developed in the next three years and its new commitment to the Island Line will extend its work programme into the late 1950s, making it one of the few Hong Kong property companies with any clear development plans beyood

As for the prospects for the resulting mixed developments. Hang Lung is confident of their success. It believes that the grsdual transfer of passenger trsffic awsy from the coogested roads to the MTR system will snsure that scheme will be

Hsng Lung intends, with its consortium partners, to sell off the completed developments, the possibility that It may itself end up by purchasing some of them for inclusion in its investment portfolio.

Elsewhere, the group is participsting in a number of commercial and residential developments in Kowloon and Hong Kong island and also in a few smaller industrial projects. Total floor area under or pending construction now exceeds

The group's controlling interest in Amoy Caoning, whose main attraction lies in its property assets and a plan to move its food canning activi ties to the New Territories. should provide further scope for developments in Kowloon.

Although Hang Lung's rental income will provide a decreas-ing proportion of total earnings over the next few years as development profits come in-they could be as high as HK\$ 1500 from the Island Line contracts it has built up and intends to maintain a high

quality rental portfolio. This portfolio now covers well over 1m sq ft and substantial income growth is expected.

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Hongkong United Dockyards DESPITE THE ambitious and Directory of Main Services long-running programme aimed Associated Companies at overcoming Hong Kong's greatest single social challenge—the provision of decent housing for its 5½m inhabitants—it is clear that the problem is far from being solved. Ten years of concerted effort to bouse Hong Kong's people in a style appropriate to one of the world's most dynamic and promising economies show giant strides along the road towards that objective. The scale of schievements cannot be over-looked or minimised but the task which remains is neverthe-Despite the high output of new flats to both the private and public aectors, much remains to be done. Estimates suggest that, at the end of 1981, there

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Giant strides still leave a long way to go

families on waiting lists while 750,000 people are forced to call a squatters' hut their only bome. There are critics who suggest

tbat, uoder former governor Sir Murray MacLebose, housing became all-important, to the detriment of other aspects of the colony's development, but his dedication seems justified by the ecormity of the problem.

To Sir Murray, the desire to provide homes for millions in one of the world's most densely populated places became ao overriding objective, no doubt regularly reinforced by the plight of refugaes whose only choice was and still is to squat in shanty areas which regularly fall victim to devastating fires or landslides.

Hoog Kong was for several years after the last war the unwitting recipient of an immense influx of Chinese immigrants who bad nowhere to live and who placed intolerable pressures oo a housing stock which was outdated and hopelessly inadequate.

In the wake of the now infamous Christmas Day fire in 1953, which left 50,000 squatters homeless, the colony launched its public housing programme. Its public housing programme, claimed to be up to the standard Within little more than a month, of good private developments. the authorities had built emer. The income limit for eligible gency housing for 35,000 of the applicants is now HK\$6.500 and victims and the same sense of prices range from HK\$170,000 urgency adopted then has re- to HK\$375,000. urgency adopted then bas remained with the housing devel-

ray announced a 10-year public income and a single room apart-housing programme aimed at breaking the back of the problem and, since then, more than lem and, since then, more than the since the si 30 estates—all of them self- rents represent between one contained communities — have quarter and one third of market been added to the 68 which reotals. were built in the years hefore the latest initiative began.

Authority. the government bousing programme aims at



for such owner-occupied accommodation. A 10 per cent down payment is required. 15-year mortgages are granted and the buyer must give first right of repurchase to the authority within the first 10 years.

The scheme has already provided cost-price (there is no land charge) homes for over 15,000 families and a further

HOUSING

45,000 residential units are planned for the current decade. Plans are also onder way to pro-vide s similar choice for middle income families. ..

Flats built under the scheme -ranging in size from 35 square metres to 65 square metres—are Public sector rentals for new

opment programme until the accommodation now generally present day.

account for between 10-15 per It was in 1972 that Sir Mur- cent of average household

rere built in the years before
To the outside observer, the Completely self-contained iably been disguised through
scale and density of the new new towns are being developed special offers which outwardly
Now, more than 24m people.

generation of housing estates at Tuen Mun. Sha Tin and maintain asking prices. To the outside observer, the

parts in Hong Kong. producing 180,00 flats for reot offering, variations on a with 200,000 residents already around HK\$15 per sq ft, per and for sale over the next five repetitive theme, efficient but housed the placed population, month and good residential years. It is now actively depressingly uniform, appear of around 500,000 has been expected accommodation can still comencouraging its own home daunting and are arguably the panded to a proposed 800,000, mand rems of HK\$50,000 a ownership scheme which result of a compromise aimed at ownership scheme which result of a commodation in a commodation asking enables lower-income families providing desperately needed for a new town at Junk Bay, house accommodation asking to buy their own flats at reason residential accommodation with which could house 300,000 rents can reach the diag heights

rent fists and families living in end result usually represents while a accord generation of the private sector but on low such a major improvement over smaller new towns are taking incomes have a chance to ballot previous accomolodation that shape at Tai Po. Yuen Long and for such owner-occupied accomine "compromise" is totally Fan Ling.

> in Kowloon to seven or eight. for entry on the list, a family properties in the New Terrimust comprise at least three

While 30 per cent of the Housing Authority's homes go to those on waiting lists, 25 per cent are allocated to squatters whose huts are pulled the stock of permanent domestic down for urban development and another 25 per cent go to 1981 stood at just under people from old housing blocks. 1m units, comprising 485,000 The remainder are reserved for elderly and the disabled.

With much of the potential for residential development on the island and in Kowhoon now used up, the emphasis bas now swung heavily in favour of the New Territories, where virgin land eoables individual estates to be built as complete com-munities, with a full recage of

all but development activity in several selected locations is racing ahead.

lation, live in public housing provided or subsidised by the Government.

Under the guidance and control of the Hong Kong Honsing

The provided of the Hong Kong Honsing

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The Wan, the last of which has a plauned population of the Hong Kong Honsing to avoid for years, though 500,000. Toen Mun already few of them bave the constraints houses 150,000 and with 300 experienced by their counterpools a day moving into new parts in Hong Kong. homes the population target is Strings of skyscraper blocks just over 500,000. In Sha Tin,

Such is the demand for flats interest from the private sector that waiting lists for accoming helping to provide a blend modation on Hong Kong island of housing tenures. Given the stretch to 10 or 15 years, those difficulties of the private housing market, however, large num years while it can be up to bers of newly developed flats four years in less centrally are not selling and the added located areas. To qualify even vulnerability of proriy located tories could slow down further private sector participation.

The private sector bas an

important role to play in Hong Kong's overall bousing scene. Government figures show that accommodation at the end of in the private sector. In 1981 the private sector provided nearly 35,000 new homes, almost exactly half of the total for the year. About 55,000 units are 1982 and 1983, with a further 25,000 planned for 1984.

Last year was another busy year for private housing de tional facilities. For the time numbers of new flats arrived being however, the emphasis on the market for which taken other community facilities. been lagging behind.

developer but totally out of
Huge areas of the New Terrilline with what the market was
tories are not yet inhabited at prepared to accept. The net result has been a hig fall in private residential values and reots, though these have invariahly been disguised through

There is, in addition, a plan- mooth and more. As for town able prices. in a tight hudget and s tighter, people (its future may depend of HK\$30,000 per month though
Public housing tenants pretimescale. on the possible extension of the recent events have made deals
pared to surrender their lowFor the tenant however, the Mass Transit Railway system) at this level an exception.

Family wealth buttresses major development group

FLAIR AND FINANCIAL backing tend to go down well in Hong Kong and Carrian Investments seems to have its fair share of both. Carrian's worldwide interests have been rapidly HK\$998m and the subsequent extending into tourism, ship-ping and insurance but its ambitious involvement in the commercial property market baa until now created most interest. Carrian emerged on to the

centre of Hong Kong's corporate stage lo 1980 when it made a generoua offer for a controlling stake in Mai Hon Enterprises (net assets HK\$181m), a small property subsidiary of Stelux Manufacturing. Carrian Investments represents the major quoted vehicle of the Carrian group and its pareot company is Carrian Holdings, io turn a wholly-owoed subaidisry of Carrian Nomioee.

The source of Carrian's financial atrength—consolidated net assets at the eod of 1982 were HK\$3.37hn - has created as much interest as its rapid expansioo sod diversification and although the group is slowly opening up to outside scrutiny. it remains protective about the up to HK\$1hn. source of the immense resources at its disposal.

It is known, however, that ultimate ownership of the group lies with four families in Malaysia and Singspore, one member of whom is Mr George Tan, the group ehairman.

Wherever the money comes from, Carrian is intent upon continuing to inject cash into the organisation as it pursues diversification policy aimed at broadening its assets and

Although its purchase io 1980resale eight months later for HK\$1.65bn remains the subject considerable debste and acclaim, Carrian's involvement in property since has not represeoted anything of an anti-

Tha group has joined with Hongkong Land to redevelop

CARRIAN INVESTMENTS

the old wing of Miramar Hotel on Kowlooo's "golden mile". The site was bought for a record HK\$2.8bn, mainly on deferred terms, and overall Carrian bas a 48 per ceot stake to the 1.1m sq ft office and retail scheme which should be completed in 1985 and which could generate total profits of

The group's involvement with Hongkong Land spreads to other projects and while the arrangement is clearly hased oo sound commercial principles. the tie-up will do nothing but help Carrian establish itself as a heavyweight to be reckoned

36 development projects underway around the world. involving both investment and trading just bought out the remaining properties. In Hong Kong, the 51 per cent interest held by its, tain, its tradition for group has nearly 3m sq ft of parent in Asian. Holdings, a spectacular,

Carrian has been a very active land at the planning stage, participant in the local and nearly 600,000 sq ft in the international marketplace. course of development and over 700,000 aq ft of developed space which is now, or will income. In addition, there is 634,000 sq ft of agricultural land in the New Territories.

Mr Tan emphasises that its

property interests represent cash investments and that the group, therefore, can afford a flexible approach towards the timing of its development pro-

He admits that the recent hectic pace on the property front may be slowing, for the time being at least: "You cannot contioue to eat things up as we have without stopping occaaiooally to digest what you have consumed. But we will still he anxious to take advantage of the weaker property market in Hong Kong in searching for good acquisitions."

Carriao'a property interests, like thosa of most other commercial property concerns in Hong Kong also extends to the residential sector, including several residential units and an interest in the former Hongkong Laod luxury apartment develop ment in Midlevels, known as Tregunter.

Hong Kong and it has ambitious George Tan says that Carrian plans for the U.S., where devel-as at May—had no fewer than opment projects are already underway. In Oakland, California, Carrian Investments has

city office and retail site which will provide 378,000 sq ft of floorspace. Completion is due

The second phase involves the construction of an office tower comprising 2.3m sq ft. Building work should begin this year with completion scheduled for 1985. Rental income is currently estimated at U.S. \$60m a

In Orisado, Florida, Carriz has purchased an interest in an 810-acre site adjacent to Walt Disney World Negotiations are underway to sell 70 acres of the land for US\$17m, which would result in the cost of the land and infrastructure being recovered and leaving the remaining acreage at no cost to

Elsewhere Carrian interests in development projects in Los Angeles, Califorois the Philippines, Singapore Australia, New Zealand and

on prime sites and Carriat shows a marked inclination towards a joint venture approach, preferably with a con trolling interest Because most of its schemes will be new, how ever, the potential for income growth in the first few year will he limited, zithough this

The group's property involve—
ment is not being confined to tioual manicuring of a sound investment portfolio, providing recurring income, will-remain major priority. Property trace ing looks set to contribute substantial proportion of profit and Carrian is expected to main June 21 1982

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Participaton 7

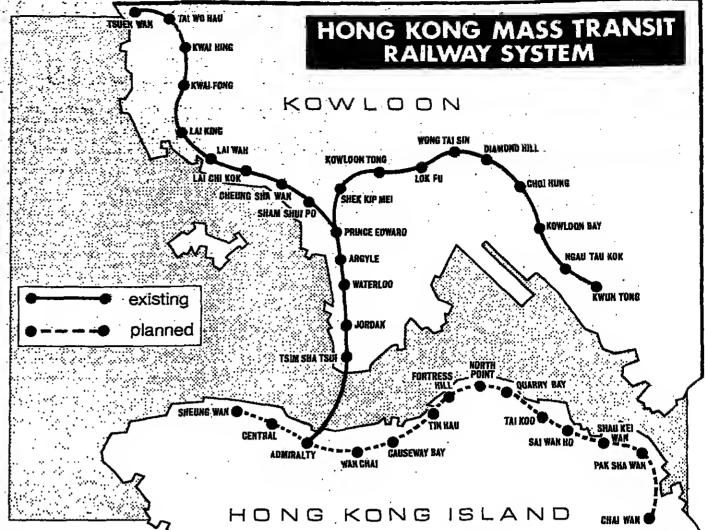
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to provide a w An MTR car at Kowloon Bay Station. British company Metro-Cammell are making the 210 cars ordered



Solace for commuters in an advanced transport system

WITH ROADS in the heart of raise duty on light oils by 40 ector is, Hong Kong almost permanently bounds to paralysed by humper to humper concern which the traffic problem houng to studies, turning potentially short lem now arouses, though their journeys into tiresome marathons, the present development of the Mass Transit Railway system cannot have come a moment too soon.

Hong Kong Is choked hy secon is said the semi-permanent developed at a rate which under-dally.

The corporation accepts that the semi-permanent developed at a rate which under-dally.

The corporation accepts that transportation crisis. The first part of the sbortfall may be bomes in contrast to the pace which the solution of the colony's activities manages to maintain.

Even more disturbing bowinbuilt chaos arises at a time , when fewer than 20 per cent of bouseholds have use of a private nigh me, vehicle, The 700 km of roads which is at a stready incapable of coping or which is with vehicle flows for much of the day and the position conry lor dinues to deteriorate, despite a otally of 1981 budget for new road marks schemes, improvements and The a maintenance of HK\$ 737m.

per cent are a measure of the longer-term impact on the position is questionable.

It is against this hackground

that the Mass Transit System-Hong Kong - is now being section of the system, which has 15 stations and links the east Rowloon area by a harhour tun-nel to central district on Hong Kong Island, started full operation in February 1980 and the arrival of the Modified Initial System (MIS) has had a significant impact on the lives of many commuters.

During 1981, the MIS carried over 223m passengers, more than—for example—the comparable system which has operated in Sao Paulo, Brazil,

for six years.

Although the continued increase in numbers is regarded as satisto the existing MIS network. at a projected cost of HK\$11bn. factory by the Mass Transit Railway Corporation, which in December completed its first fully operational financial year there is some disappointment that traffic carried has fallen not universally welcomed in short of the original theoretical projection of 1m passengers daily.

> attributable to some undue overoptimism in the early stages hut It is equally well aware that competition from buses on routes which parallel the railway has been intense. The supply of bus feeder

services in particular has been lower than expected and the corporation is now saying that If the bus companies cannot or will not provide the necessary supporting services, then it will have no alternative but to help

he wish of the left out payments were delayed. In one that position, with other left out payments were delayed. In one that position,

The extension was not duc for completion until December 1982 hut construction progress went well and enabled the opening to take place six months ahead schedule and within the .projected budget of HK\$4.1bn. Addition of the new line, with nine additional stations, is

> MASS TRANSIT RAILWAY.

MICHAEL CASSELL

expected to take the MTR over the 1m passengers a day level, attracting an initial 400,000 passengers and rising to twice. that level in the longer-term. Construction has now also

The expansion of the transit started on the Island Line, Table 1/2 by the Transport Secretary to traffic has hullt up steadily and May, with the opening of its tsland's northern waterfront. So far, nine of the Island Line for the development of the two there have the striple annual licence fees. By the end of last year had second leg, a 10.5 km line which from Chai Wan to Sheung Wan, station site contracts have been sites, which mean the premium

The corporation's equity backing comes from the Government-its current stake stands at nearly HK\$5bn-but it is also deriving a significant propor-tion of the required funding through joint venture interests with property developers who

are developing commercial sites over the Island Line Developers tender for the funding and an MTR station as

arising profits with the corporation. The corporation says lts conservative estimate is that the development partnerships will yield profits equal to somewhere around 40 per cent of the Island Line's construction costs. Funding will also come in the form of export credit finance from the UK, France and Japan, at fixed rates of

standing. Agreements signed in case, 1981 will provide about 44m reduced in the face of weaken-sq ft of office and commercial ing property values, although floorspace and over 8,000 residential apartments, The lts actions have been correct developments will come on to the market hetween 1984 and bestowed no unfair advantage 1988, with the exception of on the consortia leader.

-a 225,000 sq ft gross office and shopping complex-which will be completed later this The fact that all the contracts under HK\$ 4bn this year to let to date have gone to con- HK\$ 6.8bn in 1986) has helped

sortia headed hy Hang Lung, an integral part of the develop-ment, and then share in any development groups, bas been development groups, bas been something of a local talking point, not least among competdevelopers who bave claimed that Hang Lung bas encountered some very favourable contractual conditions when it comes to meeting its extensive commitments.

Cotton Tree House in Central

In particular, the corporation lodged an appeal against the outgoings premiums which are payable to interest but

throughout and that they

As for the corporation's future, the recent additional injection of Government cash (Government guarantees for MTR debt will rise from just reduce Its loan-equity gearing ratio from 8:1 to 2:1.

In 1981, the corporation showed a HK\$ 491m net loss, marginally down on the prevlous figure and It says that steady progress is being made towards the longer-term requirements of making the rallway self-sufficient in financlal terms. In recent months the MIS has been making a cash surplus after charging all cash including interest hut the opening of the Tsuen Wan extension and the substantial increases in related

expenditure will bave reversed

however, projected towards the end of 1983, although interest rates will have a significant bearing on the outcome.

The corporation believes,

likelihood that the combined first two stages of the railway network will achieve profitability hefore the Island Line opens in 1985.

A ride on the MTR makes such ambitions seem entirely reasonable. The railway-rolling stock courtesy of Metro-Cammell—is clean and fast and fares are relatively low. Many lickets, which the corporation says are attractive because of their inherent conventence and flexibility,
The trouble is that plastic

tickets are also literally flexible and it did not take the corporation long to find out that a train full of passengers all filcking them hetween their fingers not only damaged the ticket hut HK\$1,000 fine for "offenders" was quickly introduced and the clicking stopped.



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Being small helps the economy because there are no industrial dinosaurs such as steel plants, says Robert Cottrell

Exports and re-exports provide the driving force

DOMESTIC EXPORTS

by country of destination

-1st half

concepis in Hong Kong, a city which lives on its exports and re-exports. Cash flows in and out of the country each year amounting to several times gross domestic product, while some 90 per cent of domestic manufacturing is for export.

Hong Kong's total exports have increased by almost 200 per cent in real terms over the past decade. Last year they totalled HK\$122.1bn. comprising domestic exports of HK\$80.4bn and reexports of HK\$41.7bn. Imports totalled

Japan and China cach supplied just over 20 per ceot of those imports, while the United States was by far the largest market for domestic exports, taking over 36 per cent. followed by Britain with 9.6 per cent. Hong Kong's entrepot function put China at the top of its re-export market, taking 19.3 per cent of re-exports, followed by the U.S. with 11.5

per cent.
The first quarter of the current year showed a marked but anticipated check for domestic exports, np nine per cent in money terms over the first quarter of 1981, but static in real terms. While the U.S. as a market showed real year-onyear first quarter growth of two per cent, the UK showed a five per cent real decline. China, however, proved an outstandingly strong market, with a boost

of 68 per cent. Hong Kong can, however, count itself lucky to be feeling recession later than than its Western neighbours. Mr Peter Tsao, industry commissioner, soggests iwo factors which may have been at work in the past couple of years support-ing the relatively buoyant local economy. In 1980, the assassination of South

Korca's President may have caused regional buyers, fearful of political un-rest there, to have directed orders towards Hong Kong. In 1981, when inven-

tories worldwide were pared hack under the hurden of high interest rates, Hong Kong's capacity for flexibility and speed in manufacturing made it attractive to huvers who wanted to place short orders to he filled and shipped or airfreighted

For the current year, there is necessarily gloom in the air. After the no-growth first quarter for domestic exports, the Chartered Bank said in the May number of its Economic Indicators that expectations for a second-half export recovery have been tempered by absence of any concrete signs of economic upturn in the United States. In Brussels, mean-while. EEC protectionism has been threatening Hong Kong's most important manufacturing sector, textiles.

manufacturing sector, textiles.

The enconraging counter-factor is that Hong Kong has proved itself remarkably adept of hencfiting from post-recessionary recovery. In the years of the oil-led slump, Hong Kong's real GDP grew by just 1.8 per cent in 1974 and 2.2 per cent in 1975. But in 1976, it grew by 18 9 per cent

hy 18.9 per cent. "One factor which allowed us to rever." says Mr William Dorward, director of trade, industry and customs, was the ability in this free economy for costs including real wages to reduce at a time of recession, so there was no uneconomic padding of industry.

"It is a Chinese characteristic to share the available work and reduce the hours, a practice which perhaps the West will have to adopt if nnemployment there remains at present rates for a long time. When the West became hungry for goods. we were straining in the sllps. The rapidity of the recovery was as remarkable as the recovery itself. I'm confident

the same thing will happen now."

While there is no formal data yet to suggest that Hong Kong wages have already dipped with the present

industrial cost has dropped substantially. Helped by a high level of government sales, industrial land prices have tumbled in some areas by a half and more since the start of the current year.
While that may be of little comfort to established manufacturers; It hrightens the start-up prospects for new ones.

New industry start-ups are very much on Hong Kong's mind at the moment, as it looks ahead to the emergence of a new generation of manufacturers. Some 40 per cent of manufacturing sector employment and exports are now accounted for by textiles and garments, a low-margin Industry but one which has proved itself a stable long-term economic base.

A further 20 to 25 per cent of the

manufacturing sector is accounted for hy much famed. Plastic flowers, wigs, and footwear may he produced from the same premises as world tastes change. Within the remaining 35 per cent of

West Germany

Rest of the world

the manufacturing sector lies Hong Kong's hopes for the future - higher technology industries, particularly electrical and electronic goods. Four years age, Hong Kong had the capacity to make perhaps 2,000 television sets a year, says Mr Tsao. Now, capacity is eight or ten times that. As of this year silicon chips are manufactured locally.

Managing industrial policy within a non-interventionist economy sounds something of a contradiction in terms hnt in Hong Kong's case it consists of providing general support facilities rather than specific incentives. "We work under than spendings." says Mr Tsao.
"and it is for the private sector to do the
individual work under those headings
The Government is very actively involved, not in leading industry but in

following it, providing support."

The one area in which the Government may make a specific intervention is in allocation of land to a suitable industry hy private treaty, below prevailing mar-

3,391 1,036 680 895 762 828 9,988

ket prices. As a more general move-in ensure that industrial development is not constrained by lack of suitable pre-mises, it has moved over the past three years to prescribe that some industrial land developments must, as a term of their lease, offer factory space in both small units, and also large ones suited to heavy equipment, rather than just the conventional medium-sized units which might have been most cost-efficient for the developer. ..

Beyond dand treaties, specific preferen-tial treatment is withheld. "If a sector is tial treatment is withheld. "If a sector is subsidised," says Mr Tsao, "it is not going to show its true worth, its true efficiency. The chances are that subsidised industry is not going to be as efficient as an industry which has been set up on its own and survived. They will be losing out to people who are more efficient the next thing you have to do is to protect that particular industry, introduce quotas. Help to industry is not all that easily given beindustry, incronce quotas, here to industry is not all that easily given be-cause it has got implications all the way through. A very well-intentioned policy will very often end up with protec-tionism."

The openness of Hong Kong's economy means that its development tends to be shaped by international demand rather than domestic supply factors. As world trade grows, so does Hong Kong's prosperity, so long as its costs remain compe-titive and its markets remain open.

An important factor on the domestic front remains Hong Kong's small size. which may have proved something of a salvation over the past comple of decades. There are no industrial dinosaurs—steel plants, basic chemical complexes—competing for market share in an over-supplied world. For the future, size may be something of a constraint. There is not the domestic base to support the

heavily capital-intensive research and development necessary to high term nology innovation. "Development; research I doubt," says Mr Dorward who remains spectical of the science part concept. "It always seems to meter for the concept of putting a bucker facilities on the concept of putting a bucker facilities."

On the development front, the adapting and re-packaging of new technology, the Hong Kong productivity centre with its laboratories and technical services is set to play a key role. The Covernment also funds specific technology characteristic in the academic sector, patrons are now under way for instance. sity work is now under way. for it to develop computer software suited to the testing of local microchips.

Another domestic factor which hold likely to prove of increasing impor-ance to Hong Kong's industrial tribite is the neighbouring special economic rings of Shenzhen, just over the Chinese horder. Already, some Shenzhen goods norder. Already, some Shenzhen goods
snpply the Hong Kong consumer marker
but scope remains for heavier industry
a steel castings plant, for instance—
snpplying Hong Kong's manufacturing
sector, an up-stream to Hong Kong's
downstream.

Ultimately, Hong Kong's strength had in its unit costs. There may be no its holidays, but corporation tax stands in holidays, but corporation that stands at just 16.5 per cent. Businessment may just high rents for accommodation. The salaries tax is just 15 per cent. Wages may be high by regional standards, but so is productivity and cash is king. In some other countries, says Mr. Tsan, when the Government wants to industrialize to modernice the same of the same than the same of the trialise, to modernise, they can motivate people by saying 'you are doing this tor your country.' This is not a country.' We can only tell them, you are doing this for your money."

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Weaving nylon cloth.

Setback for mill sector

heen a traditional Hong Kong husiness dating back well heyond the Second World War. hut in those pre-war years were something of a cottage industry. It was only after the war that industrialisation soared, spurred by the Communist rise to power in China which saw many entrepreneurs, particularly from Shanghai, moving to Hong Kong and bringing with them the know-how and money which they applied to the development of textiles and other light manufacturing industries. Garments were, in the early days, very much the junior hranch of the industry. Accord-

ing to the report of Hong Kong's advisory committee on diversification, there were in 1950 450 establishments of various sizes engaged locally in cotton spinning, weaving, finishing and knitting. They em-ployed 25,000 workers, which then represented some 30 per cent of the manufacturing sector workforce. The clothing industry had just 40 factories and 2,000 workers.

By 1976, when a surge in-world demand for denim drove Hong Kong's spinning and weaving factories up to their production peaks, the spinning sector alone employed 25,000 workers, while the weaving sector employed 37,000. The move up-market towards higher value-added operations had however, seen a slill more dramatic growth in the garment sector. By 1976, its 8,000 facemployed

Last year, Hong Kong's total domestic exports of textiles and garments reached HK\$33.6bn. up from a prior year Hong Kong's free port offers HK\$27.8hm. And of that total, of them a convenient damper clothing accounted for HK\$28.3bn against HK\$23.3bn accounted for

weaving—has in recent years ment sector really in heen declining in volume terms locally-based primary se

HONG KONG'S textile and garment sectors are the back-hone of its manufacturing industry. They account for just over 40 per cent of domestic exports, employ a comparable proportion of the manufacturing sector workforce, and make this small territory the largest garment exporter in the world.

Textiles and garments have heen a traditional Hong Kong business dating back well as well as in size relative to the garment sector. In 1980 the waven fabrics, compared with 780m. So metres in 1980. The originate fabrics compared with 184m kilos in 1980. And manufacturing fibre year production dropped from 44m kilos in 1980 well as in size relative to the garment sector in 1980 the waven fabrics, compared with 780m. So metres of working the weaving sector produced with 780m. So metres in 1980. The original produced with 780m. So metres in 1980. The original produced with 780m. So metres in 1980. The original produced with 780m. So metres in 1980, and metres in 1980, and metres in 1980, and metres of produced with 780m. So me

The decline of the milt sector has coincided, however, with now-defiated property boom, en ahling some industrialisis, to take more profits on developme their land than they were making from using it for lagir own manufacturing purposes.
That shift, argues Mr. William

TEXTILES

ROBERT COTTRELL

Dorward, Director of Irel Industry and Customs ex seen as market forces wo

"When people said they well going out of industry into the real estate business, explain Mr Dorward, "the land was they had was zoned for put trial purposes. Therefore ille were producing more industr were producing more industry
premises for up-to-date industry
tries. The surrise industry
were heing built on the survacated by the sunser industries, which strikes me as being
the salvation of the industry
world. I wish I could see happening in a lot of the

The outlook for Hong Rolls's spiuning and weaving sector a mains uncertain Dr. P. R. Sm. chairman of the major with dustrial, said in his last wind statement that the sectors "in a state of disarray." Spill ning and weaving sectors neighbouring countries were said, in many cases: receive Government assistance. The Rong Kong's free port offers ground."

"The question is as as as In 1980.

The mill sector—spinning and Peter Tsao, whether the

CONTINUED ON NEXT PAGE

Militant leader in Brussels talks

hord Auto note the key to the outcome of the third, 1982-86, Multi-Fibre Arrange-ment (MFA) that is now being negotiated in Brussels, en the EEC and the 28 mainly Third World textile exporting nations concerned. It is not the only key, for rather like a nuclear weapon made all the more fearsome by sloppy security, there are by sleppy security, there are all too many detonator keys in other hands. But, for a variety of reasons, Hong Kong's role in the world textiles pact, backed by the General Agreement on Tariffs and Trade, governing an estimated \$80bn worth of trade is eruelal.

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TILES

Hong Kong is the unofficial yet acknowledged leader of the four "dominant" producers that account for over four-tenths of all MFA gament exports to the European Community—Taiwan is voiceless for obvious political reasons, Macso'o interests reasons, Macso'o medicalis submerged wider F gal's wider EEC sion stance and South looks to Hon British - dominate Hong civil service for a negotiating

As for the other MFA signatory Comptries attempting to strike bi-lateral MPA pacts with the European Community, many of them see the deals to be achieved by the dominant suppliers with the EEC as a vital factor in shaping the deals they will themselves receive. It is no secret that Hong

Kong is also an increasingly militant leader. On June 15, just a fortnight after arriving in Brussels to open talks with the European Commission, the Crown Colony's impressive 17-man delegation flew home to await fresh proposals from the EEC that could form the basis of more

fruitful, negotiations at a later stage. It was not, both sides stressed, a "walk-out" in the classic sense of the term; but with the EEC's demand for a cuiback of up to 12 per cent in some of Hong Kong's major garment export categories having been rejected out of hand. It was at very least a walk away" from the nego-

Hong Kong could not, of ourse, bave afforded such a militant resture unless it had already been assured of significant backing from other MFA producers. That India's negotiators had a week before retarning to few Delhi in similar circumices and that both the delegations of Malaysia and singapore were acting their stood to be packing their Hong Singapore were also under-

flating table.

Kong's resolve.

European Commission officials, who had known that the restrictive negotiating mandate handed down by EEC member states would ensure extremely tough talks, hnt who had nevertheless boped for a single negotiat-ing session with each MFA country, conceded that an unscheduled "second round" of MFA bilaterals with the hardliners would now be required in August and

September of this year. Not too much should be made of the skirmishing victories against the EEC won by these and other MFA.

> MULTI-FIBRE ARRANGEMENT

> > GILES MERRITT

textile exporting countries in the opening stages of the bl-lateral discussions. The European Community is the principal importer in the MFA framework and is well aware of its strength. Technically, it has until the end of 1982 to play a waiting game and force the hungry textile exporters back to Brussels, for the existing hilateral deals struck under MFA II do not run out until

Practically, the industrialised Common Market countries being represented by the Brussels Commission do not hold all the high cards. For the June 1982 creation of a second round of MFA talks was by a number of accounts no accidental flash in the pan, nor is the EEC's political position as the powerful "client" of the MFA countries so unassailsometimes suggested.

The common front being presented to the EEC by the MFA hardliners dates back to November 1980-although it could equally be said it stems from 1977 and the imposition of a stern MFA II package by the EEC that reversed the original 1973 MFA's character as a system for liberalising and encouraging the Third World's textiles export earnings.

It was however, the agreement of most MEA experiers on the Bogota Paper some 18 months ago that forged a new solidarity which, then as now, is aimed at denying the EEC the use of divide and rule tactics. Forged to some extent

challenge to the "reasonable departures" restraints being imposed on it under MFA II —the Jakarta Government European Community would

exchange earnings.

World prodocers.

involve a reduction of around

10 per cent in foreign

unrelated British capital pro-jects until it gained satisfac-Hong Kong's economic problems, despite its welltion—the textile exporters Bogota bineprint is for a collective stand against EEC. known refugee and bousing difficulties, have in the past had an unreal quality in the protectionism. eyes of other hard-pressed nations, both developing and A glance at the potential damage to Hong Keng's still thirtying economy—vastly more resilient than these of most of its MFA allies—stress of hour developed: after all, Government that runs budget surplus presides over an economy that is not as others are. That was the gives an indication of how much the textile and garment argument that in the 1977 exporting countries have at stake. Over 40 per cent of Hong Kong's domestic export MFA renewal talks permitted the EEC to single out the dominant producers as less earnings, and almost pre-cisely the same proportion of deserving of generous terms than the genuinely Third

beld to ransom a mix of

manufacturing sector

Crown

all export earnings.

employment of Im people, is Hong Kong's determined accounted for by textiles and campaign since then to point out to the other MFA coun-Almost a quarter of the Crown Colony's gross domestic product is in the tries that they did not benefit through larger quotas and easier access from the slack industry, and such have been that those cutbacks on the Hong Kong's efforts to trade Crown Colony should have nroduced—that instead it was npwards into the quality end of the clothing business to the EEC's less competitive escape competition from cheaper producers, it is now garment producers that gained-has done much to being calculated that cuts in strengthen the new solidarity. its volume of sales to the EEC would have a disproportionately harsh effect on over-

observers, though would care to guess the final outcome of the MFA nego-In other words, a 10 per tiating rounds. Ranged on the cent cutback on the Grown Colony's level of some HK\$10bn worth of clothing cohesive textile producers, while entrenched on the other and textiles sales to the are the governments of the

of MFA III could have a direct impact on the speed with which approaching half of the EEC'o four million or so textiles and clothing jobs will disappear during the 1980s to fuel further their crists-level dole queues.

لمكذا من اللهل

Perhaps more important than that is the realisation on both sides that the Multi-Fibre Arrangement is no longer just about textiles. It is more and more being seen as a test case for the future of the world trading system porn out of successive postwar liberalisations and now under protectionist threat.

That knowledge, Hong senier government officials privately point out, could be the MFA exporters' ace in the hole. For although EEC governments have agreed that they will only ratify the new MFA III framework protocol agreed six months ago in Geneva if the hilateral deals that give it substance are "satisfactory," collapse of the MFA system would pre-sumably involve EEC unilateral measures to meter textile imports instead.

Such moves would be at est questionable under the Gatt, and difficult for EEC governments to defend at the fortheoming Gatt ministerial talks in Geneva in November this year that are already being heralded as vital to the defence of free trade.



Shirts for export in the Crocodile shirt factory, one of Hong Kong's leading shirt manufacturers

Mill sector

CONTINUED FROM PREVIOUS PAGE

is no answer yet."
But Mr Tsao does see some encouraging signs for re-investment of property profits in texfiles, particularly a revival of interest in the dyeing and fin-Ishing sector. "The property market is no longer active." he says. Land is much cheaper. Money is lying around not do-ing anything, it has to be in-vested, and what hetter place to invest than in aomething which

invest than in aomething which they used to do?
The growth of Hong Kong's gament industry has been led by a steady progress up-market towards higher value-added goods. It now has its own high-fashion designers, its manufacturers of designer-label goods, and its supply lines to stores. As prestigious as stores as prestigious as Harrod's of London Overall, says Mr Tsao, the

textile and garment sector negotiations with the EEC, relative to the economy as a facing apparently uncompromis-whole has reached a level at ing demands for substantial which he would be happy to see it stabilise for some years to come. "We've found our niche it is a very comfortable industrial development is conerned, because we have a solid

While the up-market move-ment into fashion goods has kept Hong Kong a step shead of its regional competition, it has also made the outlook for the industry more difficult to predict. Order hooks for basic clothing items used to run six to eight months ahead, so it would now be possible to speak with some confidence about sector performance for the whole of the current year. For fashion items, buyers place quick short orders and demand fast replenishment if the line sells, so the ontlook is more difficult to judge. But expectations are that this year

protectionism binding markets ever tighter. Hong Kong's textile and garment industry is an export-ing industry wholly dependent on the openness of its over-seas markets. The key to those markets is the so-called "Multi-Fibre Arrangement" (MFA), a framework within the General Agreement on Trade and Agreement on Trade and Turriffs (GATT). The MFA provides for suppliers and markets to frame their own bilateral occements, and it is here that

will be a poor one for the industry, with some manufac-turers already running con-

tracts at loss-making prices, and

Hong Kong's headaches lie. export markets are the United specific protectionist barriers.

mill sector, to support it. There States and the EEC, which between them take 61 per eent of its domestie exports. A bilateral agreement was concluded with the United States in March, on terms which Hong Kong regarded as uncomfortably tough but as good as could realistically have been expected.

The nature of the agreement was to restrain severely growth

of exports of sensitive items— in other words, all of those where Hong Kong had in past years used its quotas to the full — while freeing from restraint other categories of relatively less importance. The overall effect of that deal, estimated financial secretary Mr John Bremridge, would be to trim the forecast growth rate of domestic exports to the U.S. by approximately one per cent. Currently, Hong Kong is in the throes of far less palatable quota cutbacks. Hong Kong was, in turn, insisting that cutbacks could not be tolerated.

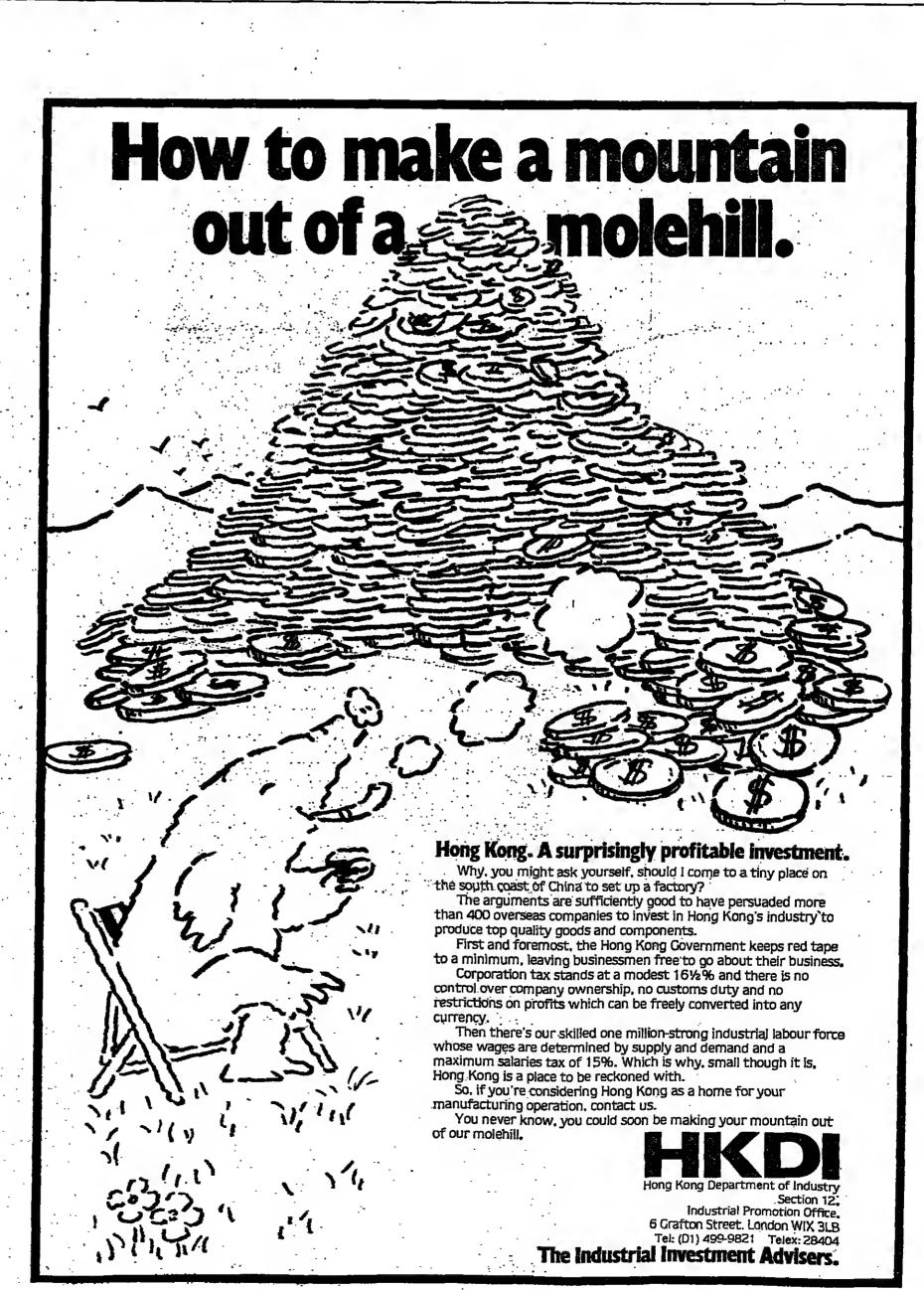
Far apart

Hong Kong's Trade Comm sioner. Mr Lawrence Mills, entered the talks saying that the two sides were as far apart as Brussels and Kowloon going the wrong way round. The mood in Hong Kong was one of not only commercial foreboding but also moral outrage. Mr Dorward said of the EEC's stand: "Its callous dis-regard is causing very real threats to the maintenance of any kind of respect for inter-

The fear also intrudes that if the EEC did impose its quota cutbacks, other trading partners, not least the U.S., might demand a rewriting of agreements to gain similarly increased protection for their own markets.

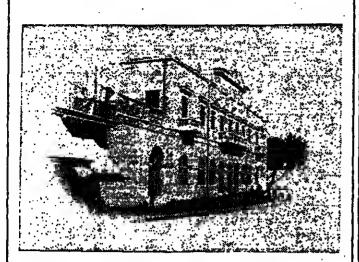
There is little that Hong Kong can do against protec-tionism, since the Government helieves that any retaliatory moves to restrict occess to its own market would compound the problem rather than provoke a solution.

The local textile industry can at least draw upon many years of experience of such problems: between 1959 and 1979 it concluded more than 50 bilateral agreements. But the run-in with Brussels reinforces with a quantum leap the wisdom of looking towards a more diversi-Hong Kong's most important fied economy less vulnerable to



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HONG KONG XVIII

ALTHOUGH HONG KONG is building and printing. commercially such an inter-national city, foreign direct investment has made a surprisingly modest penetration into local manufacturing industry, foreign investment, attracting Out of some 50,000 local overseas companies is receiving

factories, overseas investors top priority nowadays, not so account for just 400. That much because Hong Kong figure does, however, exclude needs cash, as because to build figure does, however, exclude needs cash, as because to build the extensive presence in Hong its industries of the future it Kong of Chinese interests. The U.S. was the largest investing country,

according to a year end 1981 survey conducted by the Hong Government, HK\$3bn invested in 11 establishments. Second is Japan, with HK\$2.2bu. Those two countries between them account for threequarters of

FOREIGN INVESTMENT

ROBERT COTTRELL

the total HK\$7bn foreign investment in Hong Kong's manufacturing facilities.

Britain comes a poor third with HK\$486m invested, fol-lowed by Switzerland, the Netherlands, Denmark, Australia, Singapore, Taiwan and then

As well as being the largest single investing nation, the U.S. also favoured larger average investments per estab-lishment—two-and-a-half times the average HK\$11m Britisb

Looked at on an industry-byindustry basis, electronics has received HK\$2.7bn foreign investment: textiles, a larger and more mature industry, bas received HK\$868m, followed by electrical products, chemicals,

While Hong Kong'a economic growth over the last decade can scarcely be said to have suffered unduly from a lack of

needs know-bow. "We want new technology,"

says Mr Paul Wong, the Government's chief executive for industrial promotion, we want industrial promotion, we want technical skills marketing techniques. management techniques. We like to have the stimulus, the imeptus to develop new ideas."

The industrial promotion division, part of the trada, industrial and material department is

try and customs department, is following through its desire to attract new investors with the opening of offices around the world staffed by a divisional officer for the region.

The first such office, in Japan, was formally opened in March, although groundwork began last November. A London office -within the Hong Kong Gov-ernment office in Grafton Street-opens this month, directed at the UK and Scandina via. An officer is now stationed in Stuttgart, preparing the ground for an office to liaise with continental Europe, while another office will be opening in San Francisco.

"Wa bave to go out and sell ourselves," says Mr Wong; "we believa that we must promote actively. It is not enough to sit and wait for customers to

graphical location, terrific port, third largest container terminal in the world, and a very hardworking labour force. It is a very competitive environment,



Campaign to strengthen technology base

The computer centre operated by the Swire Group

The Government itself believes of investment in Hong Knng, in the profit motive. Doing business and making profit is not a dirty word.":

As an additional attraction, he says, investors may see " a very great potential for doing business with China. Through Hong Kong they will be able to approach Chinese corporations to do more business in China. It is a gateway."

It is, only on such arguments that Hong Kong can be sold, for the government bas no cash incentives and soft loan packages to lure investors. Recognis-Hong Kong's selling points ing, however, the singularity of are, says Mr Wong, that it is Hong Kong's limited land space and high land prices, it is, bowever, willing to negotiate the provision of a tract of land at below market price to a desired investor.

While there is a formal government policy of non-direction

the influential report of the advisory committee on diversifi-cation, published in 1979, looked towards an economy less dependent on textilas and gar-

Diversification away from but not at the expense of the textile and garment sector is now. something of an article of faith, with the emphasis on higher technology industries. That, coupled with a limitation of resources, means that the in-dustrial promotion effort tends to target higher-technology

"When we say 'target,'" says Mr Wong, "it is only because we bave a manpower problem. We can't go and sea every industry and every com-

Hong Kong's size and policies themselves contribute to the

finential as places like Japan," he says, "so that we can innobuy it, use it, accept it. . . itof government philosophy to make that happen. Because you must have a degree of support, you must have a domestic market to support it, which means you have to restrict imports

to get the thing going." We are not big enough," says Mir Tsao, "to do the re-search work to create technologics. We do what the Japan-ese used to do, either buy them or get the companies to come to Hong Kong, because, by bringing their technology to Hong Kong, they can make more maney. It is as simple as that, there is no philosophical merit to investing in Hong Kong. The cash is here, all you need to do is bring your tech-

nology." To put that message across, the industrial promotion division supplements its overseas offices with missions—two this month, to Scandinavia and the United States to visit target

"Companies," says Mr Wong,
"which we believe in from
examination of their records, from what they produce, from their level of technology, have a great opportunity for devea great opportunity for deve-lopment here." The division has an "indicative list," of indus-tries which it would particu-larly like to attract, but under very broad headings - electronics, precision moulding for

As to response, Mr Wong reports that the Japanese office, still in its very early days, has

technology, explains Mr Peter absence, of government inter-Tsao, industry commission, vention has in the main been "We don't think we are as in an attraction, some people have vention has in the main been told, us that the Japanese may find our free environment 2 vate, invent a product and create. Iffthe bit too march—ther'd like a demand for it, get people to to have some direction instead of coming here and doing their

As far as Buttin is concerned, says Mr Woog, "UK investment has in the past been concentrated in trading, financial and shipping services. We still believe the UK is one of the most advanced indus-trialised countries, with good technology and skills - . We want UK companies to come to
Hong Kong and re-examine it
for fisings they may have
missed out on in past years.
We are still looking very

closely at engineering, metal-work, ferrous and non-ferrous industries where still quite high technology is needed." The industrial promotion division supplements its overseas work with domestic represeparation. It is important, says Mr Wong, that we continue to stimulate the interest of people already in Hong Kong in their industrial operations.

The domestic and overseas aspects mean that the division can act as a matchmaker, bringing together joint venture partners. To that end, it main-tains a register of local companies interested in upgrading their production methods with overseas technology, and overseas companies interested in

Hong Kong. "Industrial Investment promntion work is not immediate." saya Mr Wong ... Some companies may take five years to come to a definitive conclusion. results after; a year's work but-we can't just sit idle. We need shown most encouraging to go abroad and bring in the ground for our promotion, new technology."



The computer-controlled telex exchange at Cable & Wireless

Well over a century of service to local business community

The Hong Kong Chamber of Commerce comprises some On thair behalf, it provides representation on govern-ment and other official bodies. channel for general com-munication between the business sector and the local community as a whole. It is Hong Kong'a oldest trade and industrial association and was founded in 1861.

The activities of the Chamber last year included a mission to the U.S., presenting Hong Kong'a potential to over 1,000 husinessmen there; seven buying and selling misions to 15 countries organising contacts with Chinese official bodies; and making submissions to the Govern-ment on topics including com-pany law, the British Nationality Act, and civil service pay.

The chamber is run by a which includes other senior businessmen narticular areas of expertise. Beneath It is a network of committees con-cerned with particular issues under the broad beadings of trade, local affairs, and industry. The chamber bas a permanent director, Mr Jimmy McGregor, who presides over about 70 staff.

On a day-to-day basis, the chamber handles inquiries from potential overseas trading partners—some 15,000 per year-which It refers to members on a rota basis. It is willing to mediate in trade disputes, and has the capacity to act as a legal arbitrator.

On a community relations level, the chamber offers educational scholarships to local candidates: maintains a standing fund to offer eash rewards to citizens assisting the police in the fight against crime: and administers a

charitable trust to assist dependants injured or killed while on duty. TRADE DEVELOPMENT

While the Chamber of Commerce is funded from mem-bers' subscriptions, the Hong Kong Trade Development Council was established by government in 1966 with funding from an ad valorem levy on exports and imports plus an annual government grant.

currently Mr Y. K. Kan and Mr Lew Dunning respectively—are appointed by the Governor, and it is responsible for promoting international trade with a particular emphasis on exports. The TDC has 22 overseas offices plus representatives in three other cities. and last year it organised 70 major projects including sales missions and participation in overseas trade fairs. publications, and produces a series of foreign-language newsletters to keep overseas sinessmen informed about

Houg Kong affairs. The TDC's bead office is organised into four department undertakes market and product analysis, providing the council with data to draw np lts own promotion plans and local businessmen with market information. The market information. publicity department looks after TDC publications and publicity, while the design department concerns itself with the council's

The fourth department, trade services, is divided into two sections. The overseas section organises promotional projects approved by the council, while working with the research department to

advise the council of opportunities for developing Hong Kong trade further.

The local section looks after trade inquiries, local promotions and incoming missions. Its staff include a field section which concentrates on publicising and pro-moting the council's services by personal visits to trade sociations, factories and companies. In 1980-81 the TDC handled

116,101 inquiries comprising 53,258 from overseas, 55,263 local companies seeking local

CHAMBER OF COMMERCE

ROBERT COTTRELL

suppliers, and 7,580 local businessmen seeking export outlets. STANDARDS AND CALIBRATION LABORATORY

Hong Kong's Standards and Calibration Laboratory has its roots in the advisory committee for diversification, whose influential report pub-lished in 1979 looked at potential for local economic growth and in particular the infrastructure needed to sup-Port a more broadly-based

One of its findings was a "serious inadequacy of Industrial support facilities and of technical back-up services." and it recommended that government establish a primary standards laboratory catering initially for electrical and electronic standards, but with potential for expan-

sion, into other fields. While a calibration laboratory might sound a rather abstract concept, it fulfils an

need by maintaining reference measurements for application to manufacturing in-dustry. Electronic compon-ents in particular must be finished within microscopically fine tolerances, not only so that the output from any one plant is atandardised, but so that it may be compatible with production from plants elsewhere in the world.

The absolute benchmark standards of, for instance, voltage or mass, are the so-called "primary standard" maintained in a handful of national institutions and cor-rect to a few parts per million or even less.

Whereas a few years ago Houg Kong was ...merely assembling consumer electronics goods it now manufactures its own silicon chips, and the quality of locally-available reference structures. available reference standards bas become critical. At present, equipment such as atomic clocks accurate to a second in 4,000 years may be borrowed from national laboratories for local checking, or local equipment despatched back to national

laboratories for fine-tuning. The team setting up the Hong Kong laboratory is headed by Mr Brian Tyler, who expects it to open in interim premises in mid-1983. It will act as a back-stop to the 15 or 20 laboratories operating locally in the private sector, and will periodically check its own standards against the still more precise ones maintained in for in-stance the U.S., Britain and Australia.

While geared in its initial stages to electronics stan-dards, the Hong Kong laboratory will also contain a temperature calibration facility, and will house local reference standards for mass



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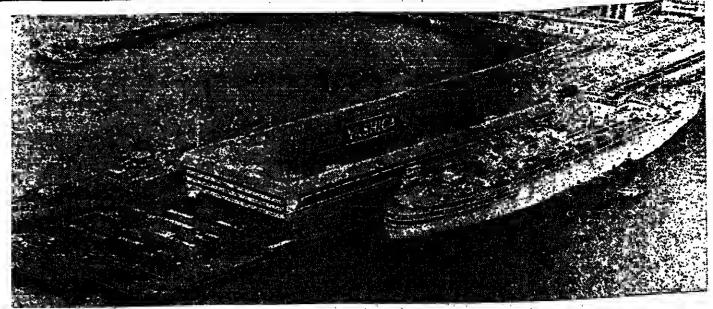
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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER





Sir Yue Kong Pao, chairman of Intertanko and of World Wide Shipping seen in his head office in Hong Kong and the Ocean Terminal, Kowloon

Fleet expansion will be at a less hectic pace

cent of the world's merchant marine fleet. At the end of last year. Hong Kong shipowners specification of a Japanese could between them muster charterer. On delivery, the ship nearly 57m dwt, made up of would be entered into a long nearly 57m dwt, made up of more than 1,500 ships, the time charter that would have biggest single portion of which been planned before the keel half—was bulk was laid. under registered

Liberian or Panamanian flags. Expansion has been little short of meteoric in recent commercial value in the colony. stantially to their tonnage this year and next. But the signs are that fleet expansion will follow a more sedate route from now on, as supply overtakes demand and Hong Kong's financial threads together. In newly emerged shipowners reach some sort of first base maturity.

freight Asian markets weakened visibly in the second half of 1981, and few observers see any chance of a significant recovery until well into 1983. Koog continuing to reduce their dependence on Japan as a chartering-out toonage, and a number of even known to act as the major companies are looking exporter of a vessel, providing increasingly towards Europe as a means of diversifying trade banks could not handle. ows. For its part, the Hong Kong According to recent state- shipping community lost no

ments from Sir Yue-Kong Pao time in supplying the nece —Hong Kong's largest fleet sary enterpreneurial flair, owner with over 200 ships helped by a tax background that totalling 200m dwt, including made rival shipowners in other and high inflation and interest shipping companies pay little or rates are likely to continue to no corporate tax. When a cloud the Asian shipping liability is due, it is levied at picture for some time to come. 17 per cent-in striking contrast Hong Kong is conditioned flat corporate rate faced by almost as much by its structure other shipping industries. as the prevailing trade winds. for the rapid growth of the industry is worth closer inspection. Hong Kong shipping in its modern sense has its origins in Japanese demand for ships, a very favourable tax position, the rise of the Asia dollar market and natural entrepreneurial flair.

At the beginning of the 1970s a highly profitable mutual cooperation was struck up all-powerful Japanese trading bouses and the Hong Kong maritime community. Japan needed a seaborne transport and saw a way of getting it through Hong Kong that was far cheaper - more cash-flow efficent — than using indigenous shipping trades.

The system that evolved is

Hong Kong owner would be built in a Japanese yard to the

The system allowed Japanese charterers to create tonnage financed by foreign debt at a time when Bank of Japan curbs years, in line with much else of disallowed such a move by a domestic buyer. It also plugged And a number of shipping Japanese seaborne demand into companies will be adding aubthe advantages of flag of convenience shipping with its attendant low operating costs.

The Japanese trading houses provided all the necessary introductions and pulled all the certain instances, they were

SHIPPING

EFFREY BROWN

any "top up" finance that the

on order-currency parts of the world grind their falling trade volumes teeth in envy. Most Hong Kong The outlook for shipping in to the 40 per cent to 50 per cent

> The Japanese connection has growth of Hong Kong shipping. The percentage of Japanese cargo carried by chartered foreign flag tonnage in external seaborne trades, rose from around a quarter in 1975 to 35 per cent by 1980. At the same time, something like half of the Hong Kong merchant fleet is estimated to be on charter to

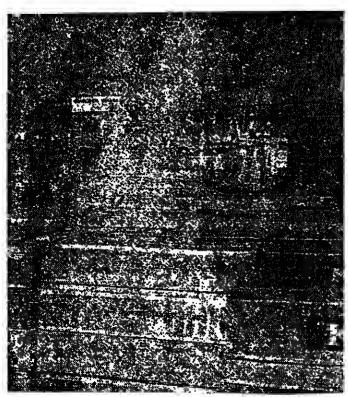
However, the Hong Kong-Japan shlpping axis is now showing signs of strain-partly as a result of tonnage over-capacity in Hong Kong and partly stemming from the falter ing Japanese economy and measures taken inside Japan to blunt the attractions of leasing deals along the lines of the

Unabashed, Hong Kong'a

COMMERCIAL CARGO Toppage carried

			CAMPAGE OF			
	A	ir	Se	a	Iai	Tonnes
ear		-	Imports	Exports	Imports	Exports
77	70,639	113,374	19,112,226	6,525,061	1,527,415	1,202
78	91,307	137,624	20,909,017	6,923,416	1,900,908	3,993
79	107,019	150,389	22,598,774	7,711,080	2,022,506	58,046
NO.	105 900	159 666	24 622 506	8 936 622	2.072.726	184.710

1981 ... 121,405 168,900 26,448,318 9,170,622 1,998,232 306,456



Containers at Kowloon Wharf

casting around successfully for new roles. One of the most important of these has centred on increased links with mainland China. At the same time some shipping companies have dipped vigorous toe in the open market, picking up a number of five-year time charters with

to diversify away from Japanese trade centres on the formation last year of United Shipping and Investment Company. This is a tripartite venture involving the Bank of Japan, World Inter-national and mainland China. This is the first time that the Chinese bave set up a private commercial venture outside the

they have accepted a minority shareholding, content to sit on just 45 per cent of the invested capital. Moreover, the management team is headed from Hong Kong with Sir Yue-Kong Pao taking the chair.

As for the individual com-World International panies. People's Republic, and the un-

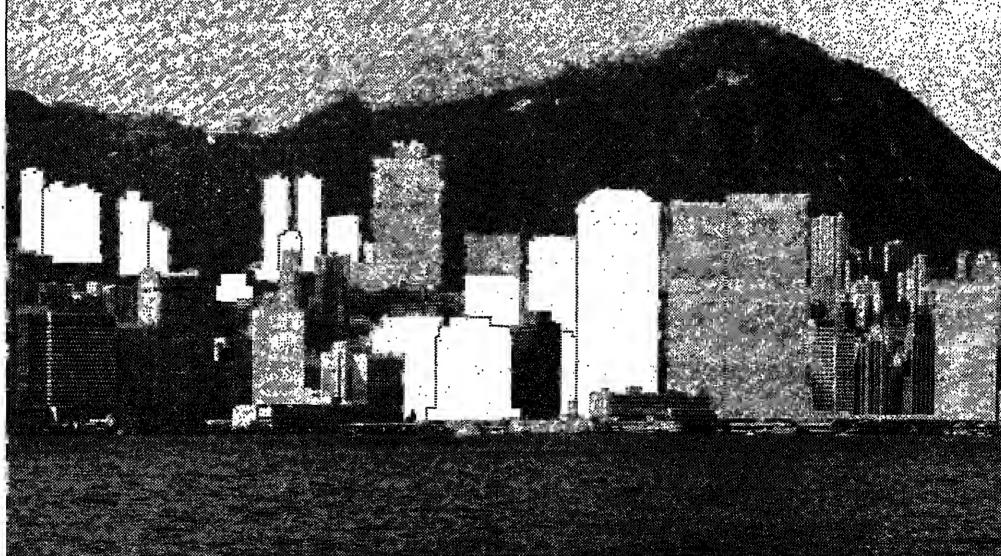
pany has extensive interests and property, insurance and finan-property, insurance and finan-cial services, but shipping still cial services, but shipping still group for \$200m was a accounts for some 75 per cent group for \$20 of total profits. of total profits.

Orient Overseas Container is remains by far the biggest and another major group, having the fastest growing fleets in on order with most prestigious with net fleet acquired the Furness Withy recent years, and so too has region of \$460m.

HONG KONG'S shipping indus-try represents just under 10 per such a deal, ships ordered by a assets closer to \$1.4bn. The com-pany has extensive interests in ment. Sadly, its founder, Mr C.

Y. Tung died earlier this year. present fleet-much of it owned charterers—comprise Wah Kwong has been one of ships of around 1.5m dwt are on order with value in the

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For a copy of the Annual Report, please write to The Hongkong Land Company Ltd, Alexandra House, Hong Kong.



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As demand for traditional audio equipment tails off manufacturers turn to products of higher value-added content

Electronics concerns fight lower-cost Asian competitors

average unit cost of electronic equipment produced in Hong Kong was ahout US\$6. Today, the figure is closer to US\$60 as the industry struggles up-market in an effort to fend off competition lower-cost producing

countries in the Far East. Margins in some areas are under pressure at a time when sales bave been hit by the recession. Yet overall the industry is expected to show a growth rate of hetween 10 and 12 per cent this year, with export earn-ings of around HK\$ 17.5hn.

Manufacturing patterns are changing fast. As demand for traditional audio products -which still form the mainstay of the industry at 75 per cent of total output-tails of. manufacturers are shifting their sights towards items with a bigher value-added

Computer components, television sets and a hewildering range of telephone gadgetry are hecoming the products of the future. A measure of the fast-moving nature of the husiness to that sales of telephone equipment arc ex-pected to rise tenfold this year because of deregulation in the U.S. market and signs

of a more liberal approach to imports in EEC countries. It is not unusual lo see

executives of Hong Kong's more aggressive electronics concerns literally running from office to office. "It is a from office to office. young man's game," said one of them recently. Fads still dominate the market-none more so than the craze for television and video games which has proved a bonanza for companies assembling under licence for Atari and Mattel, the two hig names in the U.S.

At the same time, industry leaders like Conic Invest-ments, which last year became only the second electronics firm to seek a stock exchange listing, are doing much to change the industry's image.

Conic now spends an increasing share of its sales turnover on research and development and markets a wide range of products unde its own brand names. The company was also one of the first to move into the market for 14-inch hlack and white television sets, a large pro-portion of which are assembled and sold in China.

Small factory outlets still predominate in an economy that hy tradition bas favoured the little man. But cerns are beginning to control an increasingly incrative share of total output as research costs mount and the pressure to move up-market intensifies.

Export of finished products components worth

ELECTRONICS

NIGEL GIBSON

HK\$15.7hn accounted for just under 20 per cent of Hong Kong's domestic exports in 1981, putting electronics into second place hehind clothing and textiles as the manufacturing sector's two targest turing sectors two targest earners. Last year electronics firms employed 95,000 workers in some 1.115 factories throughout the territory. Much of the industry is now concentrated in Kwim

Tong, a new town in the New Territories at the end of the mass transit rall-way, attempting to become Hong Kong's answer to California's Silicon Volley. Despite a steady rise in wages, there is still little real incentive to automate.

A shortage of skilled staff bas begun to hit certain areas like watchmaking, but bere the trend is towards assembly across the border in China's special economic zones, where labour costs are as much as 20 per cent less than those in Hong Kong.

Even so, some companies at the sharp end of the competitive wedge are startingto import Japanese made robots as a way of reducing overheads and, perhaps more importantly, of maintaining quality.

A number of high-technology employers like the Digital Equipment Corporation in the U.S. have also floaled ptans for raising the level of product development in the colony, but ambitious moves in this direction have been shelved until the U.S. econ-

omy emerges from recession.
Plans latd hy the Hong
Kong Government last year
for giving industry a helping
hand up the high technology ladder by means of a fresh injection of foreign capital at least, to fall victim to the same cutbacks in spending.
Government figures on the
level of overseas funding are sketchy, but a survey of 395 electronics companies last year suggested that about HK\$2.67bn had been ploughed

Earlier this year two locally-hacked companies, Elcap. and ACL Semiconductor, took what was described at the time as a " glant step forward for the industry" in starting up production of micro-processor cblps, new the building blocks of almost every electronic product. Benefits being tonted by the fledgling shipmakers include those of. made-to-order manufacture and cheaper transport costs.

Even so, they face formidable problems, suppliers of chip-making equipment in the U.S. and Japan are reluctant to commit their engineers to the colony before demand grows and both companies bave to import nearly all their

Laying out printed circuits at Amper Compiters

raw materials and chemicals. As one manufacturer put it: "I can see the plants being useful back-door source of technology for China, but it is doubtful whether there will be any real demand for their products in Hong Kong."

Land costs, despite a recent fall in property values, still constitute a serious handicap for electronics concerns who are forced to rely more and more on their reputation for productivity to stay ahead. Margins in areas like audio producas and calculators are

being pared, and it can only be a matter of time before producers are forced to dump unprofitable lines. One of the fastest-growing sectors ts computer comopnents.

Exports of digital proces-sors, the heart of a microcomputer system rose 145 per cenj during the first two months of this year and manufacturers predict sustained growth throughout 1982. Last year's total exports in this sector reached a modest

Despite some public com-

mitment by Government's bebalf to easing the growing pains of companies new to the sector, or those seeking to trade no-market, it is doubtful whether electronics manufactorers will ever receive the kind of incentives meted ont to competitors lu places

like Singapore.
Instead, they will bave to rely on their reputation for side-stepping and flair for seeing openings in the consumer market.

Meanwhile, manufacturers rely on being in the right

place at the right time like those companies who last year say a 582 per cent rise in the export value of video -a market tipped to expand, if at a slower pace, for

Cen

The big question now fac-ing Hong Kang's electronies companies is whether they-can keep the lid on costs. Skillful management of cur rency markets could also be a crucial feature. Most, concerns are still imitators rather than innovator, but that could

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Japanese open assembly factories

cutting becomes endemic and year showed an 87 per ceot in-inventories start to pile up no crease over last year. one is prepared to give much. Part of the problem of over-

makers, particularly those alm- really labour-intensive. experiencing . are troubled times.

Hong Kong manufactorers, who since last year have become the largest suppliers, in both value and volume terms, to the vital U.S. market, are no exception. Retail prices have fallen after a sharp reduction in the cost of components. Last year's squeeze on profits sent a number of smaller producers to the wall.

Bigger concerns, caught in a period of over-supply, were forced to huild up expensive

WATCHMAKERS

ROBERT COTTRELL

stocks to keep their labour at work High borrowing costs and falling dollar revenues have merely added to their woes. . Mr George Block, chairman of Remex Holdings, one of the colony's leading watchmakers, set the scene when he said: Every market however small. is-important during a period of recession." He was referring to France's surprise decision last year to impose a severe cut in imports of Hong Kong-made watches amid accusations that its own industry was being threatened.

France was a relativety small . but expanding market and the decision, regarded by many in the industry as a precursor of things to come, drew an angry response. The issue is still being debated at official Government levet and so far there is little sign that Paris is willing to abandon or eyen tone down its action.
It is digital LCD (Liquid

erystal display) and LED (light emitting diode) watches at the lower end of the market which have borne the brunt of a decline in component values. Export revenue during the first two months this year fell 18. cent and watchmakers expect little or no improvement

for the rest of this year. By contrast, demand for quartz analogue watches -battery-powered timepieces with traditional bands and faces has surged, more than compensating for lost earnings at the bottom end of the quality range. Exports in this sector showed a bealthy 44 per cent rise from January to March. compared with the same period

Companies which are able to do so are plunging into the manufacture of instrument home and may return only panel clocks for cars, a market after several months' lay-off, that has so far failed to hold Japan's leading watchmakers,

COMPETITION in the watch, much sway but which the inmaking industry is fierce at the dustry is confident will take off best of times, but when price- sooner or later. Exports this

Part of the problem of overuarter. supply has been that making. So it is at the moment and LCD and LED display watches. there is little doubt that watch- is neither capital-intensive nor band machinery for making up stamping wafer-built displays allowed email assembly shops to spring up and flood the markel. For a while, they rose the crest of a wave, then glut shook the market.

> The average selling price of an LCD watch fell by U.S.\$10 to U.S.\$28, within the space of months resulting in about a 7 per cent decline la dollar revenues despite an increase last year of more than three times that in the volume of watches actually shipped.

Production of the higher-priced quartz analogue watches remains in Japanese hands because nearly all movements for these models are imported from Japan and concerns in Hong. Kong are under no illu-sion that if they were to threaten seriously the Japanese industry a costly scramble for market shares could follow.
As with other sectors of in-

dustry, sharp fluctuations in exchange rates during recent months have been a constant source of concern. Buying parts from Japan in yen and selting finished watches to both U.S. and European markets against an unstable local currency has caused more than a few sleepless nights.

In an effort to counter this, and the downturn in demand from traditional areas, watchmakers have opened up fresh markets in the Middle East. Saudi Arabia now ranks third after the U.S. and West Germany in terms of total exports of both watches and ctocks.

Kuwait; Egypt and Qatar, although tess important at present in terms of volume exports are siphoned off for daty-free sales - have all showed growth rates of 100 per cent or more so far this year.

Another problem facing the industry is the shortage of skilled tabour. It seems that despite a . trend . towards assembly in China's special economic zones, where labour costs are up to 20 per cept less, and the extra pool created by the shake out in textiles, watchingly difficult to attract suitable

workers.

Watch assembly is repetitive aed unavoidably painstaking. A watch can contain as many as 50 components assembled to minute · tolerances. Most several contineots, time a boiled workers are skilled women who, egg, and wake you up in time to for reasons of security, prefer eat it, while playing a tune to draw a flat wage rather than negotiate piece rates. Many, it seems, are now leaving their



Precision is needed in the watchmaking industry

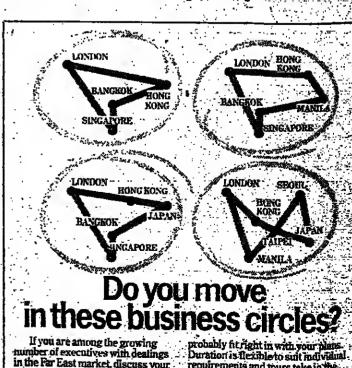
in addition to their hold on the supply of components for quartz analogue models, are stepping up the level of assembly work they carry out in Hong Kong. Both Seike and Citizen, attracted by the ready flow of competitively-priced watch cases made in Hong Kong, have recently opened assembly plants and sales out-

Movements are made in either Japan or Singapore and then sent to Hong Kong for the final stages of assembly, Plans for expanding have been delayed by the recession, but it is clear that both Seiko and Citizen will continue to play a major part in Hong Kong's watch industry.

Such is the pace of techoological development within the industry as a whote that watchmakers now foresee the day when mini-computers will be makers are finding it increas- small enough to be worn on the wrist. "The technology is there It is just a question of miniaturising everything," commented

Mr Block of Remex. Already there are watches which can record the time in

through a silicon chip. When the watch with a tiny computer packed inside it jobs to spend more time at finally reoches the department home and may return only store shelves the chances are that it will be made in Hong Japan's leading watchmakers, Koog.



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OCTOBER 1982 Thomas Cook

Basic language proposal runs into controversy

EDUCATION HILARY STREET

HONG RONG'S education system reflects the city's cosmopolitan culture. Both Chinese and English are used as teaching languages, while a small group of English schools offers education on the English pattern. An American and German school are available to children of all nationalities, and French, Japanese, Portuguese and Indonesian groups have their own schools. own schools.

Almost a quarter of Hong Kong's population is at present to he found in the classroom — 290,000 kinder-garten pupils, plus just over half a million each of primary and aecondary levels.

State schooling has ex-panded its scope rapidly to cope with Hong Kong's fast-growing and youthful population. Free compulsory educa-tion was introduced in all and most Government-aided primary schools in 1971. At secondary level, "junior" education—forms one to three —became free in 1978 and compulsory in 1979. Beyond junior level, the Government expects to provide subsidised schooling for over half of its 15-year-olds this year.

The Hong Kong education system is being reviewed by a four-strong panel of experts appointed in conjunction with the Organisation of Economic Co-operation and Development. While the panel's report is due in September, it has already suggested that Chinese should be given Chinese greater prominence as a teaching language among

younger pupils.
Chinese is the teaching language of most primary schools already, whereas most secondary schools use English. with supporting tuition in English as a foreign language. The argument in favour of rie argument in favour of extending the use of Chinese—in the local Cantonese dialect—is that not only may the children themselves find it difficult to grasp subjects taught in English, but their Chinese teachers too might guage, bowever fluent their grasp of their own subject.

grasp of their own subject.
On the other hand, English is the lingua franca of business. One has to look no further than the classified job advertisements in local papers to discover that English is essential to Chinese youngsters looking for a good-career.

Where pupils, and their parents, have a chance to vote with their feet at tertiary level, they choose English as the language of learning. Hong Kong has two universites, one English and one Chinese. Competition for places at the English university is far more fierce, and at places at the English univer-alty is far more fierce, and at a aecondary level, the minority of students holding examination certificates won in Cantonese will find potential employers viewing them less favourably than certificates won in English.

The language issue is the most pressing question facing educationalists in Hong Kong at the moment, and it remains to be seen how persuasive the OECD experts' report proves to be at the primary level. But at the secondary level, too, there are factors which might make an expatriate English teacher wonder more than a little. Many class-rooms have a near-Victorian atmosphere of rote-learning, no discussion, little creative writing and rigorously prescriptive syllabus. Sometimes an obscure syllabus, too. What do Chinese 13-year-olds make of

IJ-year-olds make of Bismarek's foreign policy, or of Henry VIII's marital difficulties? But the style of teaching is evoked by this extract from the staff regulations on one secondary school. "Teachers should always teach in standing position. Blackboard writing must he neat and orderly and should always he begun from top to bottom. Teachers must closely follow the syllabus set out by the school for every subject. the school for every subject. Teachers should always appear in attire befitting a teacher and avoid all gaudy

Teachers may also, for good measure, in many cases have to keep their cool in non-airconditioned classrooms thick with tropical bumidity while addressing classes of 45 or more with the aid of a public address system to reach pupils at the back. But carping at the limita-But carping at the limita-

WHERE THEY	G0	
	1971	1981
	%	%
No schooling/kinder-		-
garten		15.5
Primary		39.8
Secondary / matricu-		
lation	22.9	39.2
Post-secondary / uni-		
versity	3.1	5.5
versey	0.7	4.0
M-4-1		
Total	100.0	100.0

tions of Hong Kong's edu-cation system should not obscure recognition of the problems with which it has to deal. A quarter of the five million-strong population is under 15. All of Hong Kong's public services have had to cope with waves of unplanned immigration, and education is hudgeted this year to absorb HK\$4.8bn, or almost 15 per cent of total expenditure.

In sharp contrast to Britain, the demand and respect for education among young and old people in Hong Kong is seemingly inexhaustible. The examments of May and June find menting of may and June and teenagers everywhere des-perately searching for oulet places to study eway from their crowded flats with no chance of privacy—the eager learners can be found then in the air-conditioned lounge of Kaitak airport, or in door-ways at the back of City Hall.

In Britain, poverty, overin Britain, poverty, over-crowding and the pressures of inner city living are frequently given as reasons for the failure of both pupils and the education system. In Hong Kong, the reverse attitude prevails. It is especially among the squat-ters of Kwun Tong and other ters of Kwun Tong and other shack-dwellers that education is most to be cherished, as a passport to a standard of living.

The nuthor is n teacher in Hong Kong.



With a quarter of Hong Kong's five million population under 15, the demand for jobs for youngsters is high. Above: girls assembling computer printed boards at the Ampex Ferrotec factory

Census records growing wealth

HONG KONG'S particular blend student fees. of individual endeavour and On the tinues to prosper, according to the results of the 1981 census. The census—conducted every ten years—shows a picture of the conducted every ten years—shows a picture of the housing front, a problem in over-crowded Hong Kong, the Government's continuing cash-backed commitment to the housing front, a problem in over-crowded Hong Kong, the conducted every ten years—shows a picture of the housing front, a problem in over-crowded Hong Kong, the conducted every ten years—shows a picture of the conducted every ten years—shows a ten years—shows a picture of growing affluence, with real lncomes rising rapidly, smaller households and higher educational standards among a departing governor Sir Murray

recorded population of 5.11m. Of those 5.rim, 98 per cent are Chinese, while other ethnic groups include 26,000 British, 12.000 Indians and Pakistanis, and 29,000 people from other South-East Asian countries.

hard work is reflected in census labour force statistics. No less than 70.9 per cent of Hong Kong ownership scheme. people between 15 and 64 are members of the labour force, comparing favourably with Japan (68 per cent) and Singa-pore (64 per cent), both of which are also often cited as shining examples of the work ethic in action.

Hong Kong differs from its regional neighbours in having no centralised coercion to work, contrasting institu tionalisation of the work ethic into the Japanese corporate system with its tradition of life-time employment and Singapore's Lee Kwan Yu. alarmed by the by-products of Western affluence, is urging bis people too to follow the Japanese

The Hong Kong folk-heroes are the rags-to-riches men, selfstarters who provide the example to inspire others. The emphasis is on the individual and the family, with the Gov-ernment having a contingent rather than a guiding role in the creation of wealth.

As to that creation of wealth. As to that creation of wealth, real per household incomes in Hong Kong rose by 85 per cent between 1971 and 1981, an average yearly rise of 6.3 per cent, desnite the need to find \$50,000 new jobs for fresh immigrants from China.

Educationally, standards im-Educationally, standards improved, too with primary education plus three years of secondary education now free and compulsory, 42 per cent of the 1981 population had secondary education against 28.5 per cent in 1971. For the 16 to 17 age group, Hong Kong now has 61 per cent in full-time education compared with 46 per education compared with 46 per-cent in Britain. The trend con-tinues through the 18 to 20 age group, where Hong Kong's 23 per cent compares with Britain's 16 per cent.

These figures represent not only the impact of Hong Kong Government programmes but also the importance placed by Hong Kong people on educational standards. The pressures on children can become unbearable, particularly in the exam season which each year season which each year generates its student suicides.

A bottleneck exists at the tertiary level, where Hong Kong's two universities and one polytechnic cannot meet the aspirations of local careerminded young people. Hence only 2,7 per cent of Hong Kong's population has received a universitie of the career half the new control of the career half the new versity education, balf the pro-portion for Singapore. In these circumstances, those who can-not make the grade look abroad --- a practical necessity contri-buting to the dismay caused by the British Government's in-sensitive policy on overseas

> WHERE THEY LIVE By area: 1981

of persons Hong Kong Island 1,183,621

On the housing front, a backed commitment now means that 39 per cent of the populadeparting governor Sir Murray MacLehose

Hence, despite the continuing scar of some 500,000 squatters In ramshackle huts sold to them by sharp-minded racketeers, more people now enjoy the Hong Kong's reputation for Aspirations towards ownership are being catered for by the Government's subsidised home

Again reflecting the housing programme, Hong Kong's population is spreading geo-graphically. The number of

POPULATION

CHRISTOPHER WOOD

people living in the New Territories has doubled over the last 10 years to 1.3m. As the New Towns grow up, the question remains as to whether their populations, often displaced from urban areas will adjust from urban areas, will adjust to their new environments or whether the vast new estates. some housing 60,000 people, will become a breeding ground for alienation. So far, however, the picture from the estates has been a positive one, with few law-and-order problems.

A key factor in making the New Towns work is transport, rivalling housing now as Hong Kong's number one problem. Getting to work can take an bour and more. The mass transit railway and the Kowloon-Canton Railway are belping to make commuting more tolerable. But despite the general recognition that Hong Kong's roads are critically crowded, a recent Government move to triple car laxes pro-voked heated public debate. Six members of the Legislative Council went so far as to put away their rubber stamps and vote against it.

Sucb dissent ts peripberal and manageable. The vast majority of the people support the system and its values, ever if they cannot articulate that support. After all, many of them voted with their feet by coming to Hong Kong.

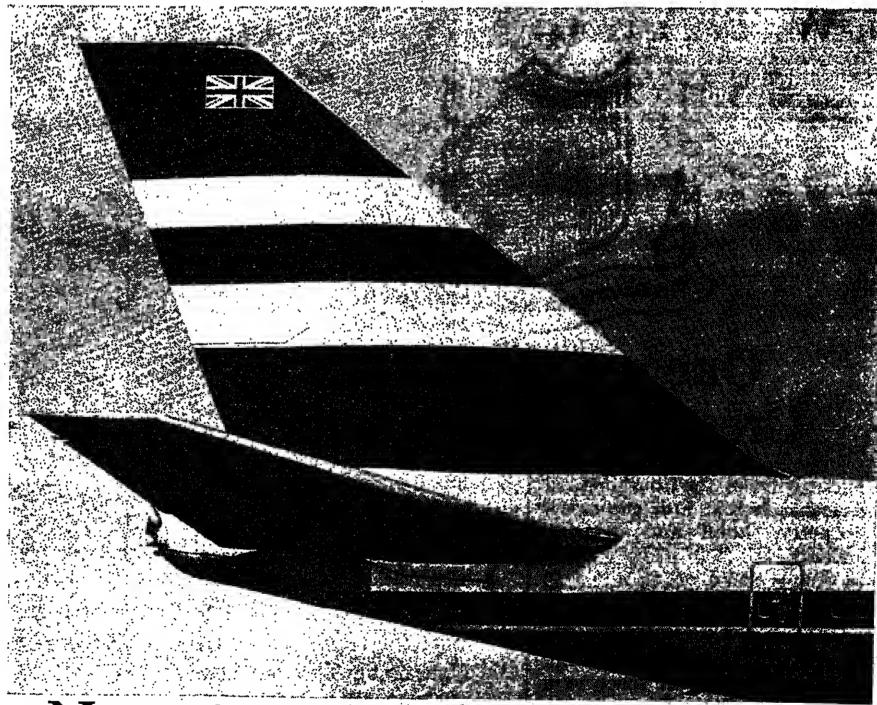
Yet the past year has seen Yet the past year has seen admittedly isolated civil disturbance, with a mob of youths rampaging through Central District in the early bours of Christmas morning. Their targets were the smart shops selling European de luxe goods to rich customers.

An indication, perhaps, that today's Chinese youth will be more demanding than its parents' generation? Increasingly self-confident and outspoken, Hong Kong to the young the young to the is a home rather than a refuge, and increasingly they will want some say in its future.

They have, after all. guaranteed future in Britain. Laat year's UK Nationality Act class status of the citizens of Britain's dependent territories It was widely resented in Hong Kong, as was Gibraltar's specially preferential treatment.

One final note from the 1981 census—Hong Kong is getting older. But there is no danger yet of a hardening of the arteries. The average age of the population went up by five years between 1971 and 1981-

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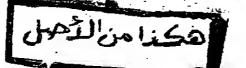
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How the new Financial Secretary and Chief Secretary see their respective roles in the administration

PROFILE: JOHN BREMRIDGE

Learning the rules

When John Bremridge was appointed to the post of Hong Kong's Financial Secretary last year many pundits predicted that he would be confused in his new world.
After all, they argued, it was o hig jump from being Taipan (or Hong Kong chtef) of the house of Swire to be Financial Secretary for the form cial Secretary: from the free-wheeling, and even freebooting, some said, private sector into the world of bureaucracy

and red tape. He has not found it too big a change. "I have never believed that the private sector's only duty is to maximise profits," Mr Bremridge declared. "Certainly at Swires we never operated according to such cut and dried criterion.

"At senior levels in business, assuming that you are an employee and not running yoor own company, like Li Ka-Shing, chairman of Chenng Kong, you tend to be a senior administrator, and I don't think that a senior ad-ministrator should be out of place in Industry or In government or in academic life."

Yet he concedes that there are differences and that the newcomer from the private to the public sector can find himself in a maze. The proh-lem of course is that you dnn't know oll the funny little ground rules, like the terms, the housing terms. There is much more of a system to play in the civil service than in the private

Probably only in Hung Kong—or the U.S.—would a topflight husinessman consider or he considered for a move to the main government financial job.There can hardly be a higger contrast than hetween Mr Bremridge and

his predecessor. Sir Phittp Hoddon-Cove (now Chief

Sir Philip is almost the archetypal seulor hurcancrat: clever, with the almost grey bearing of a mandarin alleviated hy a dry sense of humonr, Str Philip would numont, str Philip would grace any Treasury top floor. "Sir Philip is also a very great academic economist," adds his successor.

Whereas the previous Financial Secretary always seemed self-contained Mr Bremridge looks instantly ready to burst out. He is known for his colourful turn of phrase. He is reported to hove said of one of the well-known figures of Hong Kong: "I am never sure about shaking hands with him as I don't know what be has been doing. He reminds me of an undertaker with his grave manner—I'm sorry, I mean an embalmer."

His ordinary conversation ls splattered with rehust ex-pletives, which is something of a surprise hecause in many aspects Mr Bremridge is a man of puritanical rectitude.

The Financial Secretary says that in one important respect a basic rule of ehaviour bas unt changed. "When I was at Swire a guide to my decision-making was how would I react if that decislon was leaked to the Press: would I be embarrassed or not. As long as my conscience is clear and I would not be embarrassed, I can sleep

Mr Bremridge concedes that "I bave a reputation for an inability to suffer fools." Besides the piles of official papers bis desk is decorated with a small memento hear-the slogon "THINK." It is turned towards the visitor not towards Mr Bremridge.

The new Financial Secre-tary went out to Hong Kong with the Swire Group without having really sat down and planned it. Having serred in the Rifle Brigade in the Middle East after the war, he read law at St John's College, Oxford. "I would have liked to have become a harrister. hnt did not have the money.

"In those days of the Berlin airlift. It did not look as if it would he long before we were at war again. So I went to the Appointments Board looking for a inh which would allow me to travel, I looked of shipping companies because shipping would get me abroad." Swire offered him a joh and it was first stop to hecoming Taipan as o junior working for Blue Funnel in Hong Kong.

That was 30 years and Mr Bremridge bas come to bave confidence in Hong Kong. The trouble is that not all of its destiny is in his bands nor even of the people of the territory. He poiots out: With such a high dependence on trade Hong Kong is vulnerable if people ahrood can't huy our goods because they don't have the money or if hypocritical governments bring in regulations preventing them from huying.

He says that the political facts of life are that "there ore a lot of crooked politicians who are intent on screwing small countries like Hong Kong and Korea so that they can get themselves re-elected. As such, they do not respond to intelligence, logic, decency or argument. The solution for Hong Keng, like a small hoy in the face of a bully, is to stay out of the way - hnt

that is not always easy. Within Hong Kong, too, the Financial Secretary bas to live



John Bremridge: a move from the private to the public sector

with the repercussions of policies which bove allowed property owners to emerge as the new big barons of the colony. Friends say that Mr Bremridge would like to see the more unscrupulous pro perty dealers get a taste of their own medicine, but be is constrained by the fragile nature of Hong Kong's

property edifice.
One collapse could lead to panic reaction, and damage the banks which fund the property companies. In addition, the government budget surplus is built on a healthy property market because of revenue from land sales.

The Financial Sccretary has, however, been prepared to see substantial falls in land prices. Some land has been withdrawn from sale for failing to meet the reserve price, but Mr Bremridge smiles tolerantly and says that he cannot allow bargain basement prices which would allow dealers to make an instant killing.

The other major worrying

factor is the rapid expansion of banks and deposit-taking companies, many of which have belied to fuel the pro-perty hoom. Mr Bremridge says that part of his inb is " to persuade hankers in behave like bankers and not like bloody pawnbrokers."

Not everyone, even within the bureaucracy, is an admirer of Mr Bremridge or his way of doing things. His predecessor had done the job for 10 years and was an economist so that he could keep a close eye on things and discuss the finer details of money supply. Mr Brem-ridge of necessity has to take a broader view and to delegate

more. Critics say that he is out of his depth and is blundering around. Bt they may fail to take account of the fact that Hong Kong no longer faces such an equable nr equitable world climate. In a society like Hong Knng, the Financial Secretary has no magic strings to pull to put things right, nor would be want to try.

PROFILE: SIR PHILIP HADDON-CAVE

Positive stance on passivity

Sir Philip Haddon-Cave was appointed Chief Secretary of Hong Kong last year in succession to Sir Jack Cater. Formerly Financial Secretary for ten years, Sir Philip is the architect of the economic policy which he came to call "positive non-interventionism," as distinct from the "laissez-faire" tag often loosely applied to Hong Kong. Laissez-faire, said Sir Philip.

implied a misleading passivity on the part of government, which in fact had a valuable supporting role to play. As Chief Secretary, Sir Philip is deputy to the Governor, and head of the civil service. He was born in Tasmania and was cducated at university there and at King's Chilege, Cambridge. After two years as an economics lecturer at Melbourne University, he joined the colunial service in 1951 and served in Kenya and the Seychelles before joining the Hong Kong Govern-ment in 1962.



Sir Philip Haddon-Cave, deputy to the Governor

The Kwai Chung container terminal is hard-pressed for space and the airport at Kaitak may be stretched by the end of the decade

Pressure on two fronts

northwest edge of Kowloon, is the third largest container port in the world, surpassed only by New York and Rotterdam. Like all commercial operations in Hnng Kong, it is strapped for space in which to manaeuvre. Container operators continue to pressure the Government to authorise reclamation of land for more berths.

However, despite predictions that Kwai Chung was approaching critical over-crowding, it has continued in operate relatively smoothly. An important con-tributmy reason is the slowdown in domestic exports growth from Hong Knng this year. While the Government's February Budget forecast was for 7 per cent real growth, operators at Kwai Chung are slicing two in three points nff that in their own

Annther factor is the chang ing nature of Hong Kong's exports. As industry diversifies to find its growth nutside the traditional textile and garment specialised engineering goods make up a growing proportion of exports, and demand proportinuately less shipping

None the less, when demand particularly in the important U.S. market picks up, sn will the pressure on Kwai Chung and the need for operators to streamline operations still-

As an example of just how pressured Kwai Chung aiready s, take the case of one of its major operaturs, Modern Terminals Limited (MTL), which last year wanted to fit two large container cranes on to its berths to facilitate loading. MTL found it more cost-effective to have the twn units constructed ot a factory in Japan and then towed by sea in their completed

HONG KONG'S Kwai Chung state to Kwai Chung. MTL China heavily in its balance of container terminal, m the reckoned that it could not affined thinking. Shipping companies northwest edge of Kowloon, is the down-time needed on its believe that the Chinese will the down-time needed nn its container handling berth to construct the cranes on-site.

Sealand, another nperatur,

has gone into partnership with local group Far East consor-tium to build a multi-storey container station on its site to maximise usage of the available ground-space. As to providing the additional space which Kwai Chung as a whole will nne day need operators entered joint talks with the Government last year on the reclamation of 13 hectares of land near the existing numbers three and four berths. Talks on these and other plans con-

PORT AND AIRPORT PETER GILL

The aspect of Kwai Chung's business most vulnerable to shipment volumes account for almost half the containers handled through Hnng Kong. But this traffic reduced drastically if conges-tion made it in practice easier for another ship to call elsewhere rather than tranship at

Hong Kong. This potential problem is compounded by mnves by countries in the South-east Asian reginn to boost the morket shares of their national carriers. The Philippines and Indonesia are examples of countries which have moved locally to protect their own

national lines. In part facilities, as in every other aspect of its everyday life, Hnng Knng must weigh have to use Hong Kong's facilities for container traffic in the foreseeable future. China bas few deep water ports of its own. Even Shanghai, perhaps the key centre for future Chinese container traffic, can take ships unity of up to 28-foot

Undoubtedly, China will have to spend money beefing up its bandling capacity and developing its own harbours. But a choice must be made between bulk commodity handling

facilities and container traffic. Given the needs of the moment, particularly for grain, available Chinese money is far more likely to be spent on bulk handling facilities. This would leave Kwai Chung with the long-term responsibility for moving China's large con-tainer cargoes, such as textiles and fnodstuffs.

In summary, then, Hong Kong's container facilities will need lnng-term expansion, but it may be a longer-term than might have earlier been anticipated. It may be confidently expected that the Government will be keeping a close eve nn Kwai Chung's problems. The economic conse-quences of clogging up Hong Kong's most important export nutlet would be severe. While Kwai Chung's potential for bottlenecking is keenly perceived.

The Government is taking a cooler view of the need to replace its existing airport at Kailak, Arrivals and departures at Kaitak bave increased by 10 per cent over the last six years. reaching a total last year of 55,393m. Passenger handling capacity may be reached by the end of the decade.

The increase is a tribute to Kaitak's flight controllers, since CONTINUED ON NEXT PAGE

PROFILE: JAYSON MUGAR

Chartered Bank sees business. with China as being a bit like a game of snakes and ladders. "Experienced hankers know how to get round the snakes and look for the ladders," he says. Mr Mugar is guardedly nptimistic about prospects for the growth of western banks' husiness with China based on what he describes as the return of the rule of law and financial disciplines.

They're systematic which is important," he says.
"Where it breaks down is when it gets down into cells and sub-cells. Lower level officials don't bave the vigour to charge ahead . . bankers find that when we get outside the mainstream there is a rigidity in thinking."

Mr Mugar Chortered Bank's China section whose job it is to monitor business developments in China and identify areas of promise. ties in a stote of flux most of the time this is not an easy task.

"This whole business for cankers is a very sophisticated. specialised art," be says. can constantly do this business and not get anywhere. The pre-mium on personal relationships is more evident than in any other market."

Mr Mugar says that hankers dealing with China face two main problems: one is bow to develop a relationship of trust with Chinese officials, and the



Seeking an east-west blend

Jayson Mugar: Western disciplines with Chinese methodologies

tify opportunities in a con-stantly changing market. "As far as bankers are concerned dealing with this enviroument, opportunities are there," be says. "It's just a question of how you structure

"I'm o great advocate of structuring business deals that hlend Western disciplines with Chinese methodologies. You cannnt impose classical forms, of hanking on the Chinese. Nor can you take the Chinese version and impose it on Western systems. It's just not a fit, an

Mr Mugar instances compensation trade and co-production

agreements as an example of

what he is talking about. These

are schemes whereby the inreign

partner supplies either machinery or raw materials or both in return for the finished product, which is exported. Some big western banks such as Chase Manhattan and Citibank are now setting up special counter-trade according to Mr Mugar, to handle this sort of business, and some banks are even becoming principals in trading finished

The Chartered Bank hos yet to set up its own counter-trade department, but Mr Mugar hints that it is moving in that direction. He says that banks that are going to be successful in China must be "ionovative must have a good China section and must have an ability to in

and must have on ability to inand must have on ability to in-troduce clients to Cbino."

Among the difficulties hankers and businessmen encounter in dealing with China are: prob-lems of bureaucratic inertio, the difficulty of octually making

contact with those in the Chinese bureaucracy who are the decision makers and what Mr Mugar describes as ex-tended musinformation about interest rates.

Mr Mngar says that at lower levels of the hureaucracy and in the provinces there is a belief that cheon interest rates are freely available so it hos to be patiently pointed out that



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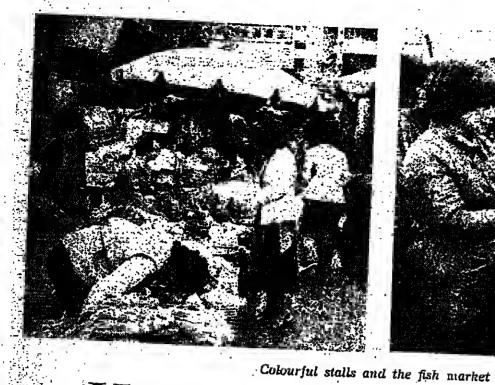
Incorporating The Peninsula Group

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	Mean temperature °C	Mean relative humidity	Totaj ražufali mm
Јапиагу	16.3	67	
February	176	80	Trace
March	. 20.6		11.8
April	24.2	82	123.9
		84	94.2
May June	25.2	81	336.1
	26.9	80	106.4
July	28.4	80	317.2
August	29.1	79	101.2
September	· 27.2	81	381.9
October	24.8	76	
November	20.3	74	111.6
December	16.4	60	69.8 5.4



The American fast-food revolution has caught up with the Chinese in Hong Kong. Below: street signs with a London flavour



How to get about, where to eat and how to dress

By Robert Cottrell

BASIC GEOGRAPHY: Urban Hong Kong divides into two sections—Hong Kong Island itself, and Kowloon across the harbour on the mainland. The distinction is abbreviated conversationally to "Hong Kong side" and "Kowloon side." On the north shore of Hong Kong Island are the main business districts, Central, and the nightclub district of Wancbai.

The big tourist hotels and shopping centres are on the southern tip of Karuban in

southern tip of Kowloon, in the district called Tsim Sha Tsui, pronounced "Sim Shab Choy." On the south side of Hong Kong Island are the resort towns of Stanley and Repulse Bay, North of Kowloon on the mainland are the New Territories, once agricultural now developed for industrial and new town

residential use.

GETTING ABOUT: Hong
Kong's airport is located at
Kaitak on Kowloon side. A taxi from Kaitak to Central district will cost around HK\$35, including a HK\$10 supplement for using the cross-harbour road tunner which connects the Island with Kowloon. The major hetels also offer their own limousine services from Kaitak.

Hong Kong's red-and-sliver

Central with Tsim Sha Tsui, and then branches into two lines running further into HOTELS: For Central district.

the best hotels are the Mandarin—still the most prestigious hotel in Hong Kong—and the Hilton. Both are located in the beart of Control. On Kowleyn side are located in the beart of Central. On Kowloon side are the stately Peninsula Holel, and the plush new Regent, Sadly, the Repulse Bay Hotel, long favoured by those seeking a quieter location on Hong Kong Island, is now set for demolition. Mandarin Hotel, tel. 5-23466 (reservations). Hilton Hotel, 1-tel. 5-233111. Peninsula Holel, tel. 3-666251. Regent Hotel tel. 3-666251. Regent Hotel, lel. 3-7211211. RESTAURANTS: For business

honest, and generally the best bet for local travel. Many drivers speak limited English, though, so if you have an off-the-beaten track destination try to get it written out in Chinese characters first. Be prepared also for redespread entertaining in Central dis-trict, both the Mandarin and trict, both the Mandami and the Hillon have grill rooms offering good food and prompt service. Two other good restaurants in Central are the famous Jimmy's Fitches Court Chies Pulls prepared also for widespread traffic congestion, and a shortage of taxis at peak times, particularly lunchtime in Central. The best place to find them then is at the bla Kitchen, South China Bullding, Wyndham Street (tel. 5-265293). Book at least a day ahead, and the Marinushka, a pleasant Mediterranean restaurant—though avoid the less smart upstairs —at 6, on Lan Street, tel. 5-240165.

ferry service or try the fast and clean MTR underground 5-240165.

railway, which connects For recreational eating, try the

Godown restaurant in Suther. Godown restaurant in Suther-land House, Central District, which has jazz and dance music in the evenings, tel. 5-221608. Or for a magnificent view of Hong Kong over the harbour, with priccy French food and fussy service, the Plume. Restaurants men-tioned so far specialise in tioned so far specialise in

Western food.
Hong Kong also offers some of the best and most varied Chinese food in the world not just the Cantonese cuisine found in most Western Chinese restaurants, also Shanghai nese, Pekinese, Fukkienese.

Sichuan, Chiu Chow and other regional cuisines. As a general rule, most Chinese Restaurants in Hong Kong offer good food and value-forтопеу.

If you don't have time to search around, plunge straight in the nearest and allow yourself to be gulded by the waiter. Not too much guidance, however, or you are liable to end up with sweet-and-sour pork, chop sucy and other run-of-the-mill dishes which the Chinese mill dishes which the Chinese assume Western palates will favour. Go in a group, and share dishes between you

mixing meat, fish, vegetables and noodles or rice, Cantonese food is light mild, Sischuan food heavier and spicy. Cantooese food will usually be supported with rice, where Northern cuisines—Shanghainese, Pekinese.

noodles. For a gentle introduction to regional Chinese food in Central district, try the Peking Garden in Alexandra House, telephone 5-264456; and the Sichuan Garden in Gloucester Tower, Landmark Centre, telephone 5-214433, Both are spacious and com-

will favour breads and

fortable. with bookable private rooms and helpful English-speaking service. BUSINESS PROTOCOL:

large supply of business cards is a must—they will be exchanged with almost Japanese fervour. Despite the tropical climate, air-conditioned offices mean husiness dress remains formal—grey pinstripes are better than salari suits, even when humidity stands at 95 when humidity stands at 95 per cent. The business day is long—\$.30 to 6 for many executives—and Saturday executives—and Saturday only on production of a morning working is normal.

RECREATION: Hong Kong's less than two weeks old.

most popular relaxation is messing ahout on boats, be they junks, yachts or wind-surfers. Yellow pages or your hotel reception is the place to turn for advice on hiring boats, but better still get yourself invited out on somebody else's. Horse-racing at Shatin and Happy Valley is another popular recreation, except in the outof-season high summer months. The Royal Hong Kong Jockey Club offers tourist memberships, but only on production of a page. only on production of a pass-

Pressure on two fronts

find them then is at the blg hotel ranks

For the short hop between the Central district and Tsim Sha Tsul, use the frequent Star

Businessman's Guide

metred taxis are cheap,

CONTINUED FROM PREVIOUS PAGE

extending 11,000 feet on reclaimed land out into the sea off Kowloon. But the cost of replacing Kaitak would be for-A basic estimate of HK\$7bn could be perhaps HK\$7bn could be increased several times depending on how many of the support facilities were counted in as the cost of the airport itself.

Suggestions have been made for a new airport, studies carried out and sites pinpointed. Out of some 13 original putative locations, the most likely now looks to be Shep Lap Kok on the north side of Lanfau Island. The site is about 20km from Central district, and is as it now stands a rather sleepy island

communications. Not only would are not generally to be encouron-site support facilities be required, but also fast direct access to Kowloon.

The best way of providing that access is reckoned to be a bridge across the bay from Lautau, linked to a network of new feeder roads in West Kowloon. Included in other supporting engineering work which would be called for to develop Shep Lap Rok, would be a large programme of land reclamation.

Given the cost and difficulties

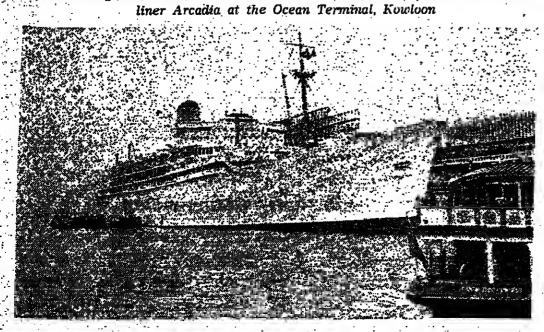
the airport has just one runway, linked by ferry from Hong of the best alternative, perhaps Kong.

Just building a couple of runways at Shep Lap Kok would do
little to help Hong Kong's air
little to help Hong Kong's air
little to help Hong Kong's air
little to help Hong Kong's air aged in city centres. Moreover, Kaitak would provide valuable central real estate if it could

be freed for development. The Chinese consideration for Hong Kong's airport planners is the possibility of an airport over the border in the special economic zone of Shenzhen. The tourist industry, however, seems to enjoy using Hong Kong as its stepping stone into China, and the Chinese themselves encourage this scheme with some of their cwn tour plans.



Air traffic control at the international Kaitak airport. Below: the P & O



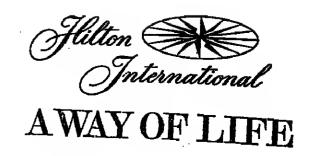


Life oriental style

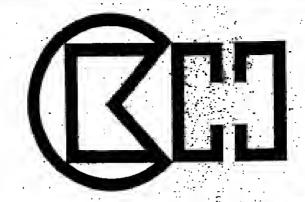
Courtesy and elegance. Welcome to the Hong Kong Hilton. A superbly convenient hotel in the island's central district. Magnificent decor. Bedrooms with beautiful Burma teak. Colour televisions. Snacks from the fridge. Fantastic views. Swimming before breakfast. Good morning. Our tantalising shopping centre. Dinner on our brigantine around Hong Kong harbour. A work out in the gym. A soothing satma. Cocktails from the mini-bar. Dinner for two. Dancing the night away. The Hong Kong Hilton. Life with a certain style.

Hong Kong

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HK\$1,385Million



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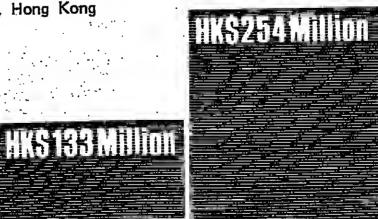
- Net profits after tax excluding Extraordinaries total HK\$1,385.4 million: up 97%, representing a 38% return on average shareholders funds outstanding during the year.
- Shareholders funds at the end of the year amounted to HK\$4,417.1 million (Book Value).
- Total profits after tax including Extraordinaries total HK\$1,604.5 million.
- Final dividend 48 cents, making 70 cents total for the year: up 44% after allowing for 3 for 10 bonus issue in May 1981.
- Improved recurrent earnings from associated public companies:
 - Hutchison Whampoa Limited (over 40% owned) up 92% to HK\$790 million excluding Extraordinaries of \$157 million.
 - Green Island Cement Company, Limited (over 40% held through 70% owned subsidiary) up 15.9% to HK\$93.7 million.
- Lee Hing Development Limited (over 40% owned) announced unaudited interim profits for 6 months ended 31st December 1981 of HK\$29.3 million excluding Extraordinaries of HK\$224.9 million.
- New public company floated in May 1981, International City Holdings Limited (over 30%) owned), announced profits for 7 months operations in 1981 of HK\$147 million.
- 10 major projects completed during 1981.
- 18 projects scheduled for completion during 1982.
- 1982 will be a difficult but challenging year, and total dividends are forecast to be not less than the 70 cents per share paid for 1981.

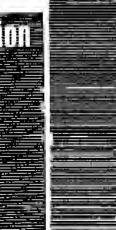
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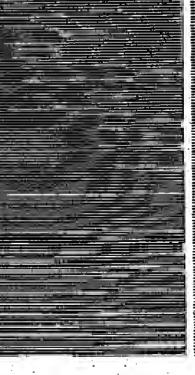
Mr. George C. Magnus or Mr. George C. Zang, **Executive Directors**

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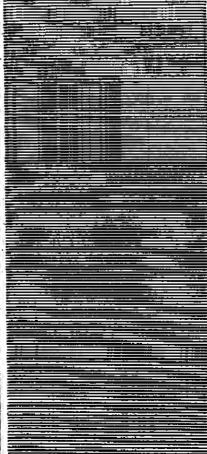
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HK\$701Million



1976

HKS 86 Million

1978

1979

1980

1981

1977

PERSONAL COMPUTERS

The new electronics Klondike

By Jason Crisp in London and Louise Kehoe in California

LESS THAN five years ago personal computers were generally seen as little more than an in-teresting but irrelevant diversion. Today they have turned into an extraordinary business worth around \$11bn worldwide with annual growth rates be-tween 50 and 100 per cent. By the end of the decade the world market is expected to exceed

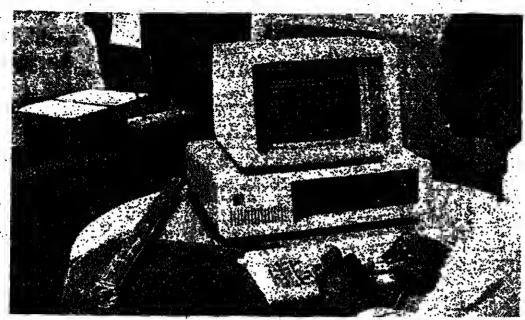
The marketplace is beginning to resemble the Klondike. Dozens of new companies are being formed hoping to strike gold like Apple—now a \$500m-a-year business started in a California garage in 1976. The business is now so flercely com-petitive that no established manufacturer of computers or office equipment can risk ignoring it.

. In the last nine months a bost of major companies have eutered the field including IBM. Digital Equipment, ICL, Olivetti, Wang, Systime, Sony and many others. At the recent Hanover Trade Fair there were over 100 diffarent personal computers on show from nearly 60 manufacturers. And a flood of new products is promised before the end of the year.

The first brief years of personal computers have been dominated by three U.S. companies — Apple, Commodore and Tandy (Radio Shack) none of which was part of the established computer Industry. The entry into the market of the computer majors together with office equipment companies such as Xerox la seen as giving it a belated lagitimscy.

The personal computer, cost ing anything between £70 and £10,000, has been transformed from a toy for videogames - or a plaything for computer buffs into a business tool with a wide range of applications. It. is widely agreed that the per-sonal computer came of age wben a program called Visicalc was written for the Apple com-

cuables a businessman, to ask ponents onto a microchip. "wbat if?" type of questions. Its arrival catapulted Apple sales into two broad types based upwards as individuals in computers themselves fall into two broad types based upwards as individuals in computers themselves fall into two generations of penies, tired of the prairies. expense of doing such calcula and 16-bit. The latter is several tions on a large computer, times more powerful and is fast bought their personal computer becoming the standard require-



IBM's Personal Computer: one of the biggest selling micros in the U.S.

It, or one of the 20 or more ten, is essential for any new personal computer if it is to

Indeed the computer software—in other words, what someone can usefully do on a computer—has become one of high-fiving U.S. companies like the key factors in the market. Sirius, Fortuoe, Convergent The computers themselves are Technology and Alton—are all becoming harder to different 16-bit. Apple is one of the few lists. The heart of all personal computer-has become one of tiate. The heart of all personal computers are a small ranga of standard microprocessors made by the semi-conductor companies, notably Intel, Motorola and Zilog.

Two eogineers in a shed are now perfectly capable of putting together a computer which could compete with IBM's " Personal Computer" on performance, (They would not, of course, have IBM's massive economies of scale.) The fall in prices in personal computers has been because the semi-con-Visicale is an accounting pro- duotor manufacturers have been gram on a computer which able to cram ever more com-

poules, tired of the wait and microprocessor chips, the 8-bit

number of personal computers. than adequate for use at home. It, or one of the 20 or more Most of the machinea that computer" is available through look-slikes that have been writ- have been sold, both for busi- Radio Shack, its nationwide ness and bome use, are 8-blt computers. But the majority of the recently launched products including those from DEC. IBM. Olivetti, Hitachi and Nippon Electric-and the small but remaining major suppliers not offering a 16-bit machine. There is a growing trend to dual processor machines incorporating

> use a wider range of software. The U.S. market ia substantially ahead of that of Europe. It also differs because home computers, selling for around \$200 to \$500, bave become the latest consumer electronic product for mass merchandisers, be used more for educational Commodore computers are now on sale in Safeway (with around 2,000 stores in the U.S.) which, as a major outlet for Timex, is also expected to seli Clive Sinclair's new computer, them the Spectrum.

8- and 16-bit chips which can

A number of the major Schools are also atimulating department stores carry the interest in computer education product range of one or more of the companies. The most and they are becoming one of the fastest growth areas both sides of the Atlantic. In the successful home computers in out of departmental budgets, ment for business uses while the U.S. come from Texas UK, France and Germany there Visicale is now available on a the Shit machines are more instruments, Atari and Commo are now plans to ensure every

one computer. In the U.S. schools which were typically buying two a year are now buying four or five.

Yet business buyers are still the largest element in both the snd European markets. In the U.S., Tandy leads the business market closely pursued by Apple and IBM. The largest sector is sales to small husines-ses. DEC, the minlcomputer company that has risen to be the world's second largest com-puter manufacturer has just announced the launch of three micro-computers with very low prices. It is expected to become a major force.

Small businesses use the computers to run their organisation's secounts, billings, psyroll. They are often used as word processors. In Europe there are slightly more microcomputers in large organisations, where they are used in general accounting, than in small businesses.

Tha greatest growth area in business is, literally as a personal computer. Inteco, the market research organisation, estimates the oumber of personal microcomputers in large companies in Europe will rise from 20,000 in 1980 to 680,000 in 1985, over three times the

number in amail businesses.
in a study of how people in large organisations used their personal computer it found one-third using them for 'what if' questions on Visicaic type of products. Nearly 20 per cent used them for various administrative purposes and 8 per cent as an intelligent terminal for a larger computer.

Intero found 7 per rent used them for stock control, 7-8 per cent for education and evaluatlon, 4 per cent as a "super calculator" and a wida range of other applications such as estlmating, computer aided design and quality control programmes. The extraordinary prolifera-tion of computers and companies is prompting debate about how long it will be before there must

be a major shakeout. The crucial factors now sre: the avallability of a wide range software, distribution, serice, and even the quality of the instruction manuals.

Ian Galbraith at Mackintosh Consultants points out there is tremendous difficulty in determining the most cost-effective route to sell personal computers. The options are enormous. At a

secondary school has at least retall level there are specialist computer ahops, general depart ment stores and company owned shops such as those set up by IBM, Xerox and DEC.

Second, there are computer centres set up by the manufac-turers. Potential buyers are persuaded to visit them through seminars, mail sbots, telephone aelling and so on and they can try the computers. Third is through the traditional office equipment channel of dealers and agents and, fourth, there is direct selling to large companies for bulk orders.

Poor distribution ehannels is one reason wby so far the

WORLD MARKET FOR PERSONAL COMPUTERS (\$bn) 1982 1.2 Individual and Small business 3.4 12.1 Large business 73.3

> rce: Stretegic Internetional San Jose, California

3.8

Japanese challenge has been less than feared.

But Japanese companies have recently announced a bost of new personal computers. They iuciude NEC, with a new 16-bit machine, Hitachi, Sony, Panaaonic, Cybernet and C. Itoh.

Although the direct threat of Japanese competition in per-aonal computers is not seen as great as in other consumer electrooics areas the country is still going to do very well out of the om. Practically all the video displays and many of the magnetle disc memories and printers in personal computers are made in Japan.

The Japanese bave also been specialising in hand-beld computers which have very small liquid crystal displays and tiny printers. The field for portable computers has been led by Osborne, a fast growing U.S. company founded by Britisb-born Adam Osborne.

The personal computer mar-ket is changing almost by the day and no wise analyst would predict how it will develop. But it certainly is a strong contender for the title of "Fastest Growth Police and the

Lombard

community

By Ian Davidson

recommendations of Lord Scar-man's report on the Brixton disorders, published last November was that chief constables and police authorities abould be required to set up machinery for consultation between the police and the community at district or divisional level. In Lord Scarman's view—and bis was only an eloquent and forceful restatement of traditional doc-trine on policing in Britain— civilised and effective policing can only be carried on with the consent of the community; the riots in Brixton and elsewhere had sbown bow far that consent had in some places been alien-ated; energetic steps must be taken to restore relationa between the police and the com-munity by, among other things, regular consultation procedures at the grass roots.

The consultation guidelines which have now been circulated by the Home Office go a long way to meeting Lord Scarman's recommendations. I am not sure that they go quite far enough, but I shall come back to that later.

First the plus paints. All police authorities in the country, and all borough and district councils in the Metropolitan Police district in London, will now be expected to set up local consultation machinery, much along the Scarman lines; but the way they comply with this recommendation is left pretty much to them.

The Home Office does not prescribe tha size of composition of local committees; but it does make auggestions of the kinda of agencies that might ba represented, such as probation, education, social services and recreation, as well as locally elected representatives. does it prescribe the agenda for meetings; but it does list some suggestions—issues of local concern, promotion of crime prevention, fostering links with local beat officers.

The reasons for this apparent vagueuess are threefold. In the first place, circumstances vary. and the kind of elaborate and formal consultation which might be desirable in Toxteth could well represent overkill in the Fens of East Auglia. Secondly, quite a lot of police forces aiready bave local consultation

ONE OF the most important machinery, or have bean improving it since the Scarman report cama out, and it would he gratuitous to force them into a differently shaped bed of Procrustes. Thirdly, some chief constables and some police authorities are resistant to the idea of local consultation, for fear that it might undermine their own au thority.

The foot-draggers will not be able simply to ignore the cir-cular, nor to manipulate lecai eommittees so that they are in-effective. In London, for effective. In London, for exsmple, the boreugh committees will have to report on their meetings to the Commissioner, and will be entitled to raise matters with the Home Secretary; and in general the Home Secretary "will wish to satisfy himself" that appropriate arrangements have been made.

In an exercise designed to promote generalised cooperation and goodwill, some ambiguity is perhaps unavoidable; but on two issues the Home Office has, in its desire not to offend the police, carried ambiguity to the point of confusion. It suggests that committees abould discuss policing reaponses to crime problems which may affect relationa with the community; but It then says firmly that tha method and timing of police operatious are matters for ehief constables.

Such a blanket exclusion would rule out any discussion of a repeat performance of last year's Swamp 81 in Brixton; if so, the consultation process would be meaningless,

Secondly, the committees are invited to discuss general complaints about the police, but they may not discuss particular complaints; but bow on earth will they do the former, unless they have ready access to the

Finally, why bas the Home Office not undertaken to make local enusultation a statutory obligation? It could easily be incorporated into the Police Bill next parliamentary session. which will reform the complaluts procedure, and it could be quite simple: "Police authoritles and chief constables shall satisfy the Home Secretary that they have established appropriate consultation procedures at local or divisional level."

Letters to the Editor

The closed shop: efficiency and trade union power

on trade union power.

article (June 14) on the closed sbop ("The wrong Issue for Mr Tebbit") was disturbing in two respects. It failed to deal adequately with the effects of the closed shop on efficiency, and it understated the effects

In campaigning for legislative action on the closed shop and in warmly welcoming measures contained in Employment Bill, this institute has been very conscious of the potential effects of closed shops on companies' efficiency. We believe that closed shops. irrespective of the particular forms they msy take, can: 2) delay the introduction of new technology, aimed at improving performance, profitability and competitiveness, if the proposed changes alter the nature of skill requirements, and thus the delineation of classes employee; b) obstruct the removal of restrictive practices; because this may be seen as blurring the distinction between classes of employee, in respect of which separate closed shop agreements may apply; c) undermine effective management, partly because disci-plinary powers may be trans-ferred from management to shop stewards and partly also

A cause of

From Dr. R. Pool

Sir,-The recent European

Britain, in the 1970s, led the

way in preventing the effects

inflation. Actually, it serves to

disguise from the population at

large one of the most direct, and

monetary system re-alignment draws attention to the link be-

inflation

and inflation.

From the Director General because managers may tend to regard the increased bargaining lose touch with their employees power which closed shops give Sir,—John Lloyd's thoughtinl and look instead to the single to trade unions as part of the channel of communication provided by their shop stewards; and d) hinder changes which may be sought to the structure

of bargaining arrangements.

John Lloyd tends to discount the efficiency arguments on the basis of the findings of the unfinished and unpublished Gennard study. He states that the study has found that pnly 12 per cent of managers surveyed regarded closed shops as leading to inefficiencies. - Any test of the effect of closed shops on efficiency can only be valid if in-depth research is conducted company by company, so that the wide variations in types of closed sbop and com-pany structure can be taken into account. It is highly questionable whether a test of the opinion of personnel managers (to which the Gennard study has been confined) is a sufficient indication of the general view of management In the institute's experience, the views of personnel managers on certsin isbour relations matters tend to differ markedly from those of their other management celleagues.

The second disturbing aspect of the article was the sugges- Walter Goldsmith, tion that managers seemed to 116, Poll Moll, SW1.

normal give and take of industrial life. Whether or not this is the case, it is my conviction that the increased power

enjoyed by trade unions closed shops has allowed them to extract excessive and unearned wage increases, and has prevented sufficiently quick adaptation to change. Some of our faat declining traditional industries. provide sorry examples of the outcome of these events. The problem is even worse in some parts of the public sector, where there is not only a monopoly of the product or service; but also a Ishour monopoly in the shape of a closed shop. In such circumstances, there is no pressure on unions to constrain wage demands, because there is no competition to fear, nor ia it likely that a atrike would receive less than overwhelming support.

As far as boards of directors are concerned, past consulta-tions with our members supports the view that most consider. Mr Tebbit has rightly. selected the closed ship as an issue of major importance the Employment Bill.

he who will not accept the risk

dore. Tandy's \$200 "Colour

Radio Shack, its uationwide

consumer electronics stores -

by far the most extensive of

puters are mainly used for games. Plug-in video game pro-

grams are popular, but the com-

puter also has a keyboard and extra programs which enable it-

to be used for word-processing,

home management and educa-

tion. The use of computers for sophlaticated videogames con-

trasts with earlier predictions

that they would be mainly used

in the home for controlling elec-

trical appliances, house-keeping

part of the personal comnuter

sales are to businesses. Home

computers in Europe seem tn

reasons than in the U.S. Clive

Sinclair attributes much of the

success of the best selling per-

sonal computer of all—his con XZSI— to people busing them just to learn about

computing.

So far in Europe, the greater

and energy management.

These American bome com-

any U.S. manufacturer.

Under the present divorce law, the right of an ex-wife to malutenance is an asset which is frequently "borsetraded" for busband's share of the

Alternatively, if a maintenance order is deemed necessary by the court, the wife mey be awarded the husband's share of the matrimonial homa by way of compensation for loss of pension rights.

rendered homeless and is deprived of his capital and often re-marries to provide himself with housing of a reasonable standard.

report of May 24 I find no refer ments in lieu would no longer be available to, and anforceable

that there is no cause to doubt the numeracy and economic sense of women. P. Berry.

46 Morket Street Derbyshire.

deflation

From Mr M. Fielding,

inflation during the past 10-15 years, it is doubtful that the concept of current cost accounting would even have been much

assume that inflation as we now know it is here for ever and a

Personally, I doubt the wisdom of the accounting profession's hierarhy in trying to foist SSAP 16 upon commerce and industry in this country and I have every sympathy with Mr R. Michael whose letter appeared on June 15.

Michael Fielding. 14 Cheriton Road, Winchester, Honis.

Street Pitch Outside Knightsbridge Underground Station

CROLLA 18 Palace Gate

CUMBERLAND HOTEL Marble Arch

Corner of

Lombard Street and Gracechurch Street

MORONI

68 Old Crompton Street MOUNT ROYAL HOTEL Marble Arch

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ohvious, consequences of ita own indationary actions. Similarly, in UK now we have artificially high food prices, re-sulting from a "green" rate in line with a view of the value of sterling not shared by the market or enjoyed by any other industry. This denies consumers -all of us-one direct reward we should expect from a realistic monetary, policy—lower food

market exchange rates, besides not s cure for, inflation. (Dr) R. A. H. Pool,

Higher Troyne, Ilfracombe, Devon.

tween green currencies (to common agricultural policy agricultural exchange rates) A great-hearted

of profligate spending, leading to devaluations, showing up in food prices. The French are do-

From the Director. ing the same. The argument is that some artificial restraint of food prices is necessary to check Centrol Asian Research Centre Sir, — While the Falklands expedition was still under way, one of your contributors (Lom-

bard, May 13) drew for us a gloomy omen from the Athenians' disastrous expedition to Sicily, and from the cautionary words of Thucydides Abolition of about the likely fate of great armadas far from home. May one now rebabilitate the great historian by recalling that it was Thucydides who made his

Divergencies, becoming more of independence, and danger common, between "green" and with the hope of preserving that independence, then it la being prohibited by the Rome he who will not socept the risk Treaty, are I suggest, a cause of, that deserves the blame, not not s cure for, inflation. ha that will accept it."

But perhaps it is Aeschylus who will best restore our faith in the shility of the Greeks to find a word for it-or rather. in this case, to find a word for her. Please read in "Agamem-non," about the manly qualities of a certain great-hearted lady spoken by her watchman, up on the roof, peering for the heacon flame that will signal the fall of Troy, and the expedition's victory. But of course that was legand -- not history at all.

David Morison. Central Asian Research Centre, Wakley Street, EC1.

maintenance From Mr P. Berry

Sir,-Mr J. Eedle (June 5) is own bero Pericles say: "If obviously not aware that the the alternative should come matriarchal society be considers between submission with loss such a practical solution to the

that deserves the blame, not difficulties posed by a high divorce rate loss is already with us, at least so far as divorced sons are concerned.

matrimonial home.

Either way, the husband is

Havine carefully read your ence to the substitution of a single financial settlement for maintenance and I can only conclude that Mr Eedle has totally failed to sppreciate the alms of the pressure group. Indeed, on the basis described in your report, the Campaign for Justice in Divorce is seeking the abolition of maintenance, as a result of which capital settle-

hy. ex-wives Even limited experience of the divorce law demonstrates

Chonel-en-le-Frith.

Accounting for

Sir,-But for the high level of

one thing I would like the proponents of CCA to explain is whether or not their proposals will cope with deflation as well as they believe they will for inflation. Surely it is not wise to

Bain Dawes turns in £5.56m for nine months

THE nine months to December 31 1981 Bain Dawes, the Loodon insurance broker controlled by Inchcape, made pre-tax profits of £5.56m pre-tax profits of £5 compared to £5.55m in previous full year to March 1981.

Mr Robin Warrender, chairman, says that the change of the year end excluded the mest prefitable quarter for the UK broking businesses and the group's underlying rate of growth was about 25 per cent

The change of accounting date to bring a common year-end for all operations means that apart from Bishcpsgate Insurance all the UK companies including the holding company were only in for nine months while the overseas subsidiaries maintained a full 12-month contribution.

After tax and minorities net profits amounted to £2.15m (£2.34m) before cxtraordinary debits of £56,000 (£164,000).

Bain Dawes is paying dividends totalling £895,000 (£1,116,000). The reduction is due to the retention of profits by the Australian company and the intention to build up reserves apart from the change in the accounting period.

ments denominated in various currencies, to provide both capital appreciation and income.

The minimum initial subscrip-In his statement Mr Warrender says that UK non-marine broking activities are still largely gloomy. The recession together tion is for 2,000 shares and investments will be made in bank deposits. Treasury bills and with the reductions in premium rating bave seriously affected profit margins, "However, new business successes were notable, other monetary instruments with no more than 90 days' and these, added to higher investment income, provided

The marine and energy resources division had a successful nine months with brokerage increasing by 25 per cent. The aviation division has stemmed the substantial losses of the past although the outlook is unposition.

is unexciting.
In North America the group showed a higher profit and ever-seas non-marine business showed improvements in a number of

Mr Warrender says that market conditions will remain difficult with intense competition and therefore the group must continue to look for cutbacks in overheads

werheads.

The group is also looking at is areas of expansion and is currently in negotiations in the U.S. to that end.

BECK & POLLITZER Beck and Pollitzer Engineer-

ing (Midlands) has changed its name to Becks Industrial

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** | 45 | F.P. 30/7 | 55 | 50 |

** | 50 | F.P. 25/6 | 101 | 82 |

** | 15 | F.P. | 15 | 4 | 52 | 12 |

** | 250 | F.P. | 24/6 | 435 | 293 |

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** | 270 | F.P. | 28/5 | 163 | 140 |

** | 270 | F.P. | 28/5 | 163 | 140 |

** | 270 | F.P. | 25/6 | 92 | 84 |

** | 270 | F.P. | 25/6 | 92 | 84 |

** | 270 | F.P. | 25/6 | 92 | 84 |

** | 270 | F.P. | 25/6 | 92 | 84 |

** | 270 | F.P. | 27/6 | 27/6 |

** | 270 | F.P. | 27/6 | 27/6 |

** | 270 | F.P. | 27/6 | 27/6 |

** | 270 | F.P. | 27/6 | 27/6 |

** | 270 | F.P. | 27/6 |

** |

Righ Low

Aberdeen American to raise £16m

Forexfund joins managed currency flood

JUST WHEN you thought you had seen the back of all those oil exploration experts with their maps and diagrams, here comes another group. This one is called Aberdeen American Petroleum and next week, if all goes well. Aberdeen should announce plans lo raise some £16m in order to drill holes in various bils of America.

The falling price of oil basreduced the flow of these kind of companies in recent months. These who fleeked to the market in better limes are now showing distinctly sickly share prices. But Aberdeen and its backers, which includes Britannia Group Unit Trusts, Legal and General and County Bank, feel the time is particularly ripe to be drilling

called Forexfund is to be launched today by the Bermuda-based Securities Selection and

headed by Cherles Ranald. The initial offer will be of 1m sbares at \$10 each for which Stock Exchange listing is being

sought.
The fund which is an open-ended investment company, sims

to provide investors with a

medium through which they can

invest indirectly in bank deposits and monetary instru-

Little change

Charter Trust

Investment income at the

Charter Trust and 'Agency.

investment trust, improved from

£1,01m to £1.19m in the six

down from £36,929 to £20,385.

from 1.45p to 1.74p, and net asset value per stock unit was 105.4p (106.9p) or 105.3p (106.8p) adjusted for full conversion of

Valuation of investments, after deducting net current liabilities, were £41.56m

..... u3.0 | 8.4 | 4.6 | 12.2 | -1 | -5 | b5.25 | 3.9 | 1.7 | 16.0

loan stock. Valuation

(£45.17m)

EQUITIES

FIXED INTEREST STOCKS

#100 | £10 | 88/8 | 1134 | 1012 Bournemouth Water 9% Red. Prf. 87 28 | 1134 | 1132 | 1134 | 1132 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1134 | 1

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Public Works Loan Board rates

13

13; 13; 13;

ts, up in 25 ... 13; 13; 13; 14; 14; 14; 25 ... 13; 13; 13; 13; 14; 14; 14; 14; Non-quota loans B are 1 per cent higher in each case than

non-quota loans A. † Equal instalments of principal. ‡ Repayment

hy half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

up to 6

Over 6, up to 7 Over 7, up to 8

Over 8, np tn 9

Over 9, np to 10 132 Over 10, up tn 15 ... 14

midway at

The weakness of Opec crude says, means that investment opportunities and drilling services are now cheaper than they have been for some time. It is counting on its directors. who include three ex-Shell men, to find the kinds of investments which will allow it to start paying dividends as soon as

thinking. So far the young company has picked out 21 oil and gas prospects in the U.S. stretching from Powder River Basin, Wyoming, to the Salt Dome Basin in Texas. Il is investing in these areas through aix American companies, five of which are quoted.

U.S. dollars, sterling deutsche-marks, Swiss francs, Japanese

yen and any other freely marketable currency.

There will be an initial charge not exceeding 5 per cent of the gross proceeds of the issue and a quarterly fee of 1.375 per cent

Drayton Montagu Portfolio

Management will act as invest-ment adviser to the managers.

During the 60s, Mr Ranald was chairman and managing director

of the Castle Britannia Group of

Forexfund inins what has

hecome a stream—or is it a flood—of funds seeking to

value.

unit trusts.

comment

The ratio of productive to dry prices and the recent wells among these companies stability in spot prices, Aberdeen vary, but there is certainly no hint from Aberdeen that any are about to strike scmething like a jack-pot. Rather, Aberdeen is stressing its lack of attachment to such glamour spots like the Rocky Monntains Overthrust or off-shore wells. This, plus the sorry state of the market means that Aberdeen bas to pitch itself as a bargain-basement entry inlo

this still-seductive business.

The company will be offering 15.5m shares at 110p, but the shares will be parily-paid. The investor will pay 35p on applica-tion per share, of which 25p is partial payment of the nominal amount, and 10p is payment of the premium.

These stares will carry a

llability of 75p per share which the company may call. directors anticipate that there will be three 25p calls yearly after the issue date of its

The shares will be dealt under rule 163(3) as the company does not have the required profits history to apply for the USM. Its eventual aim is a full Stock Exchange listing.

The company's backers provided the £200,000 seed money to get the company off the ground and have undertaken to subscribe for a further £3.97m s part of this week's offer. Brokers to the Issue are Rowe and Pliman and Greig Middleton. County Bank is advising the

FUTURE DATES

BOARD MEETINGS

DOVING I
The following companies have notified
detea of board meedings to the Stock
Exchange. Such meetings are usually
held for the purpose of considering
dividende. Official indications are not
aveilable as to whether the dividends
are Interims or finels and the sub-
divisions shown below era based meinly on last year's timetable.
misiniy on issi your s thistable.

TODAY Finals: 2ritish 26nzol Carbonising Chemberlein Phipps. Walker and Staff,

controls. This one, bowever, is based in Bermuda and, therefore will not be affected by reimposition of controls. With a \$20,000 minimum entry fee it is clearly not designed for the small exploit the lifting of exchange investor and its charges do not

make it a bargain in this field. Nevertheless, for those who do not want the excitement or effort of self-switching currencies then the managed aspects will appeal, providing that it can

Pre-tax revenue at Raeburn

Investment Trust rose from £1.28m to £1.6m in the half-year

to May 31 1982. The interim dividend is raised by 1p to 3p— last year's total was 8.9p, but the directors say that in the absence

of unforeseen circumstances, they expect a final of not less

Gross revenue was up from £1.55m to £1.74m, and interest

and expenses amounted to £137,956 compared with £266,800

E137,956 compared with £266,800. There was a tax charge of £608,071 (£450,358). Stated earnings per 25p share were higher at 3.56p (2.98p), and net asset value dipped from 229.8p to 227.8p after deducting prior charges at par, or 227.6p (229.5p) assuming full conversion of loan stock.

Low
335 Banco Bilbao ...
228 Banco Cantral
293 Banco Hispana
110 Banco Ind. Cal.
215 Banco Ind. Cal.

110 oanco Santander ...
187 8anco Santander ...
187 8anco Urquije ...
188 8anco Vizcays ...
180 0ragados ...
180 0ragados ...
180 Espanola Zinc ...
180 Freciados ...

sion of loan stock.

5PA!N

than 4.5p, making 7.5p.

Mayer (Monteque L.)

British and American Raeburn ahead and boosts Film jumps to £0.32m interim by 1p

American Film Holdings advanced from £112,607 to £321,221 for the 1981 year and an increased final dividend of 2.306p, against 1.875p, raises the net total by 0.431p to 3.306p per

months to May 31 1982. Other income - deposit interest and The figures were made up as to underwriting commission-was holding company profits of £200,406 (£253,689) and subsidiaries profits of £120,815, compared with a previous loss of The interim dividend is unchanged at 0,925p net - last year's total was 3.45p. Net earnings per 25p stock unit rose

Holding company tax took £51,708 (£49,955) and there were extraordinary credits of £53,957

Taxable profits of British & (£30,946) being net profits from investment sales. Stated earnings per share were 5.31p (7.276pl pre-extraordinary

> The figures of the subsidiaries derived principally from TV sales, were subject to a tax credit of £763 (£25,172 debit).

> During the year the group took advantage of the strength of sterling to liquidate certain dollar non-interest bearing stocks and reinvested the proceeds in Government stocks. The resultant income will be reflected in the accounts for 1982.

Jatel rises to £144.814

Taxable profits of Jatel, the investment holding company with loterests in Indian tea companies and which is owned by Camelia Iovestments moved ahead from £55,388 to £144,814

Earnings per £1 share are Earnings per 25p share are stated at 6.68p (0.62p) and the down from 4.89p to 3.27p. year's single dividend is being beld at 4p net.

Shortfall at Third Mile

After all cbarges including tax, group profits of Third Mile Investment Company dropped from £124,800 to £84,273 for 1981. A same-again final dividend bas been declared of 0.875p which holds the total at 1.575p. Earnings per 25p share are given

Group turnover, however, moved ahead from £779,233 to Profits after tax and extra £896.778. There was a charge for ordinary items emerged at tax this time of £18,672, against £389,703 (£14.597).

PENDING DIVIDENDS

1 -2 b5.75 8.7 4.8 ls.0 -3 ud2.0 4.3 2.5 2.8 +5 b650 2.2,4.6 2.7 -1 b5.5 1.5 2.0 ls.4 +2 b3.3 2.5 8.7 21.0 Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thuse) bare been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

out the amounts in	the column i	caded Miniodiscellich	it last leat.
	Announce-	ICIJuly 30	Interim 5.0
Dsie	ment /set	*Impsnel	
	yesr	Cont Gas July 6	Frnel 5.3
_	Announce-	Imperial	
∏aie	meni (esi	GroueJuly 9	Intenm 2.75
	Agel	InitialJuly 20	Finel 6.25
crow July 28	Final 0.75	*International	
lired		Timber: .June 30	Final 2.0
ColloidsJuly 16	Finsl 2 087	LRC InjernettJuly 13	Frnat 1.8
linsa.		Lex Service . July 30	Intarim 2.8
LondonJuly 18	Fmal 3.4	Lieyds 8snkJuly 23	Interim 8.625
ssociared		LonrhoJuly 30	Interim 3.0
NewspapersJuly 15	Interim 4.5	MFI FurnitumJuly 23	Final 1.52
P2 IndsJune 30	Final 5.0	Magner and	
ekar Parkins June 24	Final 3.0	SouthernsJuly 14	Final 3.0
ank	Interior 2 15	*Meyar	
Leumi (UK]July 27	Interim 3.15	Ment L.)June 30	Final 1.25
PortlandJuly 15	Janasia 2 A	Midland 2ankJuly 31	Interim 8.0
ilton (Percy)July 26	Final 4.4	NsIWesiJuly 28	Inten m 9.625
rown (John) July 24	Fins/ 2.5	*NorceossJune 28	Finel 3.56
entrovinciel	- mar 2.3	Nottingham	I 4 1
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hubbJune 23	Final 3.478	*Racal	Friiai 8.35
erly Mail &	1 11100 21470		Final 3.4
Gen YstJuly 15	Interim 11.0	*Renk	FIII@1 3.4
evy CorpnJuly 23	Final 4.7 ·	TrganisationJuly 12	Interim 4.a
ol vlut reilitai	Figel 7.75	*Redisnd Juns 24	Final 4.67
ixons -		*Rene/dJuns 24	Finel nil
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owryJuly 21	Final 2.8	IntiJuly 18	Frnal 2.65
lectro-		\$GAJune 30	Interim 2.3
Componente∴June 25	Final 5.5	Scottish & Newc.	
errenti Juna 23	Final 4.0	8reweriesJuly 2	Finel 2.275
rch LovellJuly 30	Final 3.71	600 Graup Juns 11	Finel 2.91
El IntlJune 22	Finel 3.655	Thom EMIJuly 10	Finsi 10 575
estetnerJuly 16	Interim 1.25	Trusthouse	'
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AT GraupJuly 13	Final 1.25	*Union	
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selemene	I MINI 190.0	VentonaJuly 28 *WedgwoodJune 12	Interim 3.0 Final 2.425
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egg			
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lingworth		isşue since mede. ‡ Tax	Ires. § Scrip
MorrieJuly 17	Final nil	issue smce mase. 1 For	Cast.

M. J. H. Nightingale & Co. Limited

27/28 Lov	at Lane London EC3R	8EB	_ 1	Tele pf	опе	01-621	1212
£000's			Change				Fully
capitaliseli		Рпсе	en woek	div.(p	1 %	Actusi	Isxed
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_	Ase. Brit. Ind. CULS	128	-	10.0	7.8	_	_
4,052	Airsprung Graup	70	-1	8.1	8.7	8.0	13.7
t,075	Armitage & Rhodes	43	+2	4.3	10.0	36	.6 1
13,320	Berden Hill	218	+3	9.7	4.4	10.6	12.8
1,363	CCL 11pc Conv. Pref	109	_	15.7	14.4		
4,189	Cindice Group'	265	 .	26.4	10.0	10.7	120
4.643	Oebereh Sarvices	60	-1	6.0	10.0	3.0	5.6
4,143	Frank Hereell		_	6.4	4.9	11.7	24.1
10,690	Frederick Parker	74	_	6 4	8.6	3.8	7.2
996	George Blair	54	÷1.	~	<u></u>		-
3.380	Ind. Precision Castings	98	-1	7.3	7.4	7.1	10.7
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2,682	Jeckson Greup	106	+1	7.6	7.1	3.3	6.8
15,596	James Surrough	113xd		9.8	8.5	8.2	9.2
2,346	Robert Jenkine	230	<u> </u>	31.3	13.6	3.2	8.1
3.510	Bejuttons "A"	88322		57	83	a 2	10.7
3,759	Torday & Carliele	154xd		11.4	7.4	5.9	11.2
3.472	Twinlock Erd	164	+ 14				11.0
2.157	Twinlock 15pc UL6	79	+1	15.0	19.0	_	
3,815	Unilock Holdings	25	<u> </u>	3.0	12.0	4.5	7.6
10,630	Waller Alexander	84	_	8 4	7.6	5.5	9.8
5,484	W. S. Yeales	235	-1	14.5	6.2	6.2	123
,,-	Pricas now evailable		•			0.2	143

Closer links between Telfos and members Links between Telfos, for-merly Charles Clifford Indus-

BIDS AND DEALS

tries, and ahareholders controlled or advised by its directors, have been drawn closer with the annuncement ahareholders that Plantation and General now owns 12 per cent of the ordinary sbares and 22 per cent of its 12 per cent convertible loan stock 1991. Plantation and General, one

of the principal underwriters to Telfos' rights issue last year, is controlled by Mr Konrad Legg who is chief executive of Telfos. Jove: Investment Trust, managed by Rivermoor Manage ment Services, now controls 7, per cent of Telfos' ordinary shares. Mr Stephen Cockburn is chairman of Telfos and a director of Rivermoor.

NCB PENSION CUTS ITS BREEDON STAKE

The National Coal Board Superantuation and Pension Schemes have sold 243,000 ordinary shares in Breedon and Clond Hill Lime Works. The disposal, put through the market at 180p earlier this week, was placed by stockbroker Cazenove with a small number of institu-tional investors. It left the vendor with a bolding of 312,998 ordinary shares (6.44 per June 30 July 13 July 12 cent).

BUNZL CAPITAL LIFTED TO £10M

Shareholders of paper and packaging group Runzl has approved an increase in the company's share capital from 32m ordinary shares worth a nomina £8m to 40m shares worth £10m.

Bunzl is currently engaged in a £13.8m bid for printing and packaging group Bemrose with an offer of 120p nominal of its own convertible loan stock for each Bemrose ordinary share. Of Bunzl's authorised capital 26.19m ordinary 25p fully paid shares worth a nominal £6.55m

PRINCE OF WALES HOTELS' CAPITAL

have been issued.

Prince of Wales Hotels pro-poses to increase its capital to £1.7m by creation of \$00,000 ordinary 25p shares. The hoard bopes to announce sbortly an acquisition which will involve the issue of shares.

ELECTRA INVST.

Electra lovestment Trust has sold 400.000 shares in stock-jobbers Ackroyd and Smithers. Electra now bolds 800.000 shares, representing 5 per cent n' the Ackroyd issued share capital.

CITY ABERDEEN LAND City Aberdeen Land's offer to acquire General Trust and Heritages accepted to respect of 13,100 ordinary shares (87.33 per cent), 12,737 preference shares (87.15 per cent), and 39,000 deferred shares (97.5 per The offers have been declared unconditional.

RUSH AND TOMPKINS Colguy Holdings, part of Newarthill, the Sir Robert Manipulae construction group, has increased its stake in Rush has increased its st and Tompkins Gro 58.7 from 6.55 per cent. and Tompkins Group to 8.04

468,000

£468,000

This advertisement is issued in accordance with the requirements of the Council of The Stock Exchange. It does not constitute an invatation to the public to subscribe for or to purchase any shares.

69

33 62.2 51 81.6

BENLOX HOLDINGS plc. (Incorporated in England under the Companies Act 1929 No. 385809)

Share Capital

Issued, Fully Paid Authorised . 930,000 (nil paid) 936,000 8 per cent Convertible Cumulative Redeemable

Preference Shares of £1 each 468,000 Ordinary Shares of 10p each 1.564,000 £2.500.000

The Convertible Cumulauve Redeemable Preference Shares of £1 each have been admined to the Official List by the Council of the Stock Exchange. Particulars of the Preference Shares are available in the Statistical Service of Extel Statistical Service. Limited and copies may be obtained during normal business hours up to and including 9th July, 1982, from:—

Stallard & Co... Leith House, 47-57 Greshem Street, London EC2V 7EJ. 21st June, 1982



OSLO AKERSHUS

(Incorporated in the Kingdom of Norway) U.S.\$25,000,000 Subordinated Floating Rate Notes due 1987

in accordance with the provisions of the Notes and Agent Bank Agreement between Sparehanken Oslo Akershus and Citibank, N.A., dated December 17, 1980, notice is hereby given that the Rate of Interest has been fixed at 161% pa, and that the interest payable on the relevant Interest Payment Date. December 21, 1982. against Coupon No. 4 in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$416.20.

June 21, 1982 By: Cltibank, N.A., Agent Bank

CITIBAN(

GREIG. MIDDLETON & CO.

The businesses of R. C. Greig & Co. and W. N. Middleton & Co. are merged with effect from 21 June 1982. The existing offices in Glasgow and London will continue at the addresses shown below and 8 new branch office has been established at 10A Union Street, Bristol BS1 2DG: Telephone 0272-24013.

78 Old Broad Street London EC2M LJE Telephone 01-920 0481

139 St. Vincent Street Glasgow G2 5JP Telephone: 041-221 8103

FOREXFUND LIMITED

Offer of 1,000,000 shares of US\$1 par value each at an issue price of US\$10 per share

payable in full on application.

Full Particulars appear on pages 6 & 7



Den Danske Bank af 1871 Aktieselskab

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 21st June 1982 to 21st December 1982 has been fixed at 16% per cent per annum and that the coupon amount payable on Coupon No. 1 will be 115. \$20,730.47.

> البنك البعودى العالمي المحدود Saudi International Bank AL-BANK AL-SAUDI AL-ALAMI LIMITED

BASE LENDING RATES

A.B.N. Bank . American Express Bk. 12 % Allied Irish Bank

Banco de Bilbao 12 %
BCCI 12 %
Bank Hapoalim BM 12 %
Bank of Ireland 12 %
Bank Leund (UK) plc 12 %
Bank of Cyprus 12 %

Bank of Cyprus 121% Edward Manson & Co. 131% Bank Street. Sec. Ltd. 14.% Midland Bank 121% Bank of N.S.W. 121% Samuel Montagu 12.% Banque Belge Ltd. 121% Morgan Grenfell 121% Banque du Rhone et de National Westminster 121% Barclays Bank 121% P.S. Refson & Co. 121% Beneficial Trust Ltd. 131% Roxbürghe Guarantee 13% Bremar Holdings Ltd. 131% E.S. Schwab 13.% Brit. Bank of Mid. East 121% Slavenburg's Bank 121% Stavenburg's Bank 121% St Barclays Bank 123% Beneficial Trust Ltd 134% Bremar Holdings Ltd 134% Brit Bank of Mid East 121%

Brown Shipley 12 % Canada Perm't Trust 13 % Castle Court Trust Ltd. 13 % Cavendish Giv T'st Ltd. 14 %

Cevendish Giy Tst Ltd. 14 % TCB
Cayzer Ltd. 124% United Bank of Knwa
Cedar Holdings 13 % Whileaway Laidlaw
Charterhouse Japhet 124% Whileaway Laidlaw
Williams & Glyn's
Choulartons 13 % Wintrust Secs. Ltd.
Citibank Savings 1124% Wintrust Secs. Ltd.
Clydesdale Bank 124% Membere of the Accepting
C. E. Coates 134% Committee.
Comm. Bk. nf Near East 124% 7-day deposits 9.5% 9.75% Short tarm
month 12.1% Corintbian Secs. 124% 7-day deposits on sume

17-day daposits 9.5%; 9.75%. Short term month 12.1%. 7-day deposits on sums of: ender £10,000 9½%, £10,000 up to £50,000 10½%, £50,000 end over 11%.

Yorkshire Bank

First Nat. Secs. Ltd.... 151% 4 Mertgage base rate.

Stavenburg's Bank ... 121%! Standard Chartered ... 121%!

TCB 121% United Bank of Kuwait 121%

Whileaway Laidlaw ... 13 Williams & Glyn's ... 12 Wintrust Secs. Ltd. ... 12

Trade Dev. Bank Trustee Savings Bank

SPARBANKERNAS BANK U.S. \$20,000,000

NEGOTIABLE FLOATING RATE CERTIFICATES OF DEPOSIT **DUE 1983**

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the six month Interest Period from June 21, 1982 to December 20, 1982 the Certificates will carry an Interest Rate of 16.375% per аплит.

> Agent A FIRST CHICAGO

FINANCE FOR INDUSTRY TERM DEPOSITS.

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than

3 4 5 6 7 8 8 10 13! 13! 13! 13! 13! 13! 13! Deposits to and further information from The Treasurer, Finance for-Industry pic, 91 Waterioo Rd., London SEI 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, ac FFI" FFI Cheques payable to "Bank of England, arc F
is the holding company for ICFC and FCI

THE TRING HALL USM INDEX

125.8 (-0.9) Close of business 18/6/82 Tel.: 01-638 1591 BASE DATE 10/11/80 100

LADBROKE EVDEX Close 552-557 (-2)

Public housing outlook bleak

THE Government inspired ahown a steep downwark trend reduction in public sector since the mid-1870s) could this starkly underlined in the latest starkly underlined in the latest in set of forecasts from the Build- of ing and Civil Engineering up

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The forecasts, which last week suggested that the con-struction industries can look forward in a modest, mediumterm recovery, paint a bleak pleture fur the future of public housing. The committees' own observation that the prospects are at least slightly more optimistic than they were six months ago prayide little room for comfurt.

Output in the public housing sector as a whole fell last year by 37 per cent in value terms and a further 21 per cent reduction—expected this year. Another 5 per cent reduction looks likely in 1983.

year be 40,000 against 37,000 in 1981, with little chance of any significant change up until 1984. With com-Development pletions set to fall this year to around 54,000 against 85,000 sts, which last in 1981, and with further reduc-With comtlons in 1983 and 1984, activity will be running at little more than one quarter of the levels achieved in 1975 and 1976.

The rapid decline in new sectur housebullding could have been even mare construction being carried out by housing associations under the auspices of the Housing Cor-poration. The associations are due to make a start on around 12.000 hnmes this year, against 10,000 last year. Little further growth is seen, however, beyond this year.

Iooks likely in 1983.

Translated into numbers, the hnusing investment propublic sector starts (which have gramme allocations for England

real increase over the previous financial year (in which there was a substantial underspend). But the total includes the provision of £593m from capital receipts arising from housing and land sales, an increase of £180m over the previous year. Local authorities may opt to

increase revenue through interest income, to help limit rent increases, or they could retain receipts to provide a badly needed degree of flexiacute, but for the programme of to operate under tight financial confrol.

While the squeeze on the public sector continues; the government's sales programme goes on. Sales in 1981-82 reached about 130,000 and they are expected to reach a peak of 165,000 in the current financial year. During the 1970s, the sales rate hovered around 20,00n

MICHAEL CASSELL

AROUND THE INDUSTRY

Mini airport for dockland proposed

THE LONDON Docklands Development Corporation is now evaluating a proposal from John Mowlem and Brymon Airways of Plymouth to build a short take-off and landing "mini" airport in the Royal

Docks area of Newham. The programme of public consuitation includes a mobile exhibition which is touring the area, and a series of community Mowlem, says that the provision airport facility. of an airport facility would play an important part in' revitalisation of docklands and

claims that it would not affect

the quality of life of the local

Wallis 🕊

Walls 4

Wallis 4

Walis#

community. "The new generation of STOL aircraft are very quiet and safe and are specifically designed to operate in urban areas," he

The consurtium is emphasising that no decisions bave yet been taken and although the proposal has aroused interest within the Corporation, the scheme must prove favourable to local residents.

A full feasibility study has been commissioned by the Corporatinn and the result abould be known in July. In the meantime there could be a demon-stration of a Dash 7 STOL aircraft landing to satisfy local Mr Philip Beck, chairman of residents about the impact of an

> LATEST DESIGN in nuclear fallout shelters, aimed specifically at borough councils, has coma from Clifford Engineering

> > Walls#

Allover

London

at a site

nearyou

Wallis 4

Wallis

2-6 Homesdale Road, Bromley, Kent BR2 9TN TELEPHONE: 01-464 3377 TELEX: 896691 GE WALLIS

ln Southampton. The shelter lighting.

THE CORRECT use of glazing lo buildings is a subject which has aroused increasing interest and the key document covering this particular subject, the revised British Standard BS 6262 Code of Practice for Glazing for Buildings, will be available from

TAYLOR WOODROW Is offering pary shareholders in the group Shareholders can expect a reduction of 1 per cent on final pur-chase price. The offer ctoses on

Walls#

Wallis 4

Wallis 4

Wallis 4

has room for 20 people and inclodes a power module for inclusive of ventilating equip-ment and hlast valves varies between £35,000 and £40,000

depending on site conditions and exclusive of interior fittings.

. . more home contracts . . .

to be built for the House of Fraser department store group under a £2.5m contract awarded to the south west region of

BOVIS CONSTRUCTION has been awarded a contract valued at £450,000 for the repair and refurbishment of the external elevations to two 16-storey tower blocks. The work includes the repair of spalling concrete to external cladding panels and providing weathertight joints between the individual external elements of the building. This elements of the buildings. This elements of the buildings. This remedial work will halt the damage that is being caused to the structure by the ingress of rain. These local authority flats at Norris Green, some eight

This announcement oppears as a matter of record only.



Inter-American Development Bank

Dfls. 100,000,000 10% per cent. Dutch Guilder Bonds of 1982, due 1988/1992

Annual coupons July 15.

Algemene Bank Nederland N.V.

Amsterdam-Rotterdam Bank N.V.

Bank Mees & Hope NV Hollandsche Bank-Unie N.V. Pierson, Heldring & Pierson N.V.
Banque de Paris et des Pays-Bas N.V.
Nederlandsche Middenstandsbank N.V.

Daiwa Europe N.V. Deutsche Bank Aktiengesellschaft Goldman Sachs International Corp. Kuwait International Investment Co. s.a.k. Société Générale

Union Bank of Switzerland (Securities) Limited

June, 1982

Taylor Woodrow to build £20m television complex

worth between £12m and £14m, for the construction of new teletral Independent Television has been won by TAYLOR WOOD-ROW CONSTRUCTION (MID-LANDS).

Taylor Woodrow said that the complex, in Lentin Road, Nottingbam, will be one of the most technically advanced in Europe. The total cost of the scheme, which will have a floor area of abnut 200,000 sq ft, is catimated at around £20m.

The complex will have thrae main production studios from which Central will provide locally produced programmes East Midlands area and for the independent telcylslon network throughout Great Britain.

The scheme is designed around a central block which will hause the studios and plant facilities. To the west of the central block there will be a two-storey building which will provide administration offices as HENRY BOOT SCOTLAND is to well as production and transmission facilities. Another twostorey building to the south will provide catering and general staff facilities.

Other parts of the complex provide facilities for scenery construction, workshops, crew rooms as well as a singlestorey staff restaurant. Taylor Woodrow will alsn provide roadways, footpaths, car parking and landscaping for the scheme.

Construction work has already startad and is due for completion in autumn next year. Richard Seifert are architects; H. L. Waterman, structural engineers, and John Reddick and Partners, quantity surveyors.

This is the second television complex to be built by Taylor Woodrow (Midlands) which constructed the BBC studio a(Pebble Mill in Birmingham, opened in 1971.

A regional distribution centre is

JOHN LAING CONSTRUCTION. Work is to start soon on the con-struction of the high bay ware-house of 77,500 sq ft—47 ft to the eaves—containing narrow aisle storage, intake and despatch areas, an attached two-storey office building and exten-sive parking and landscaped areas. Completion is due in the summer of 1983. Construction is of concrete ground beams on deep piles. The warehouse will have a steel portal frame clad in facing brick and block to the lower levela with profiled metal sheeting to the upper levels and roof. The office will be of load bearing brick and block with provision for an upward exten-sion at a later date.

A CONTRACT, understood to be miles outside the city centre of boom of the 1960s using a precast concrete system bulld method. Work, which started some weeks ago is expected to be complete in September. The flats will remain occupied throughout the refurbishment Liverpool City Council will award an extension of the con-lract which will incorporate a further three blocks of flats at

an estimated cost of £430,000. A contract worth over £2.1m, has been awarded to WALTER LAW-RENCE AND SON to build 79 homes at Sanford Manor, Kings Road, SW6, for the Orbit General opment will consist of one three storey block of flats and a fourstorey sheltered housing block The contractors will also under take all associated works including landscaping. Work has started and the contract period is

carry out a £1.5m management contract for the construction of a maintenance and service centre for geotechnical analysts, Schlumberger Inland Services hectare project, designed to serequipment, are various laboratories, stores, security post, compound and offices together with associated external works and drainage. Work has started, for completion oo November 30.

91 wecks.

JOEN MOWLEM AND CO has a second cootract at RAF Coningsby, Lincolnshire, Awarded by the Property Services Agency, the £1.3m project is to construct two large storage tanks for aviation fuel, along with mechanical and electrical installations, plpcwork, road works, drainage and ancillary buildings. Work has just started tember 1983.

G. E. WALLIS of Bromley has won a contract worth £577,544 for supplying and fixing new joinery and structural carpentry as part of the restoration of the chamber ceiling of the House of Lords. At the same time. West of England Restoration Studio of Bristol has won a £91,870 contract for the restoration of the painted panels which form part of the ceiling.



Longest rail tunnel

WITH PROSPECTS of an early struction would start to a fixed link ocross the English Channel receding still further, work is well advanced on an equally dramstic and ambitious project on the other side of the world in Japan.

Thera is now only about 1.000 yards left to be bored to complete the excavation of Japan's 53.8 km Seikan railway tunnel, started ten years ago, victim of its own fair share of delays, but now well on the way to completion,

The double-track rail tunnel, designed to take the 250 km per bour Shinkansen "bullet train," will link the islands of Honshu and Hnkkaido across the Tsugaru Stralt. Work on the link, between Tappl and Yoshioka, began ten years ago and is being undertaken by the Japan Railway Construction Public Corporation of Tokyo. Just over 23 km of the tunnel will be under the sea.

The Seikan scheme will be the world's longest rallway tunnel, eclipsing the proposed 52.5 km Strait of Dover link and the existing 19.8 km Simplon tunnel.

Work on the tunnel, which was surveyed initially in 1946. began in 1971 after a 25-year reconnalssance period. It was originally estimated that con-

years but in 1976, following a series of problems, a three-year delay was announced, and completion was expected in the spring of this year.

Now, the Chrporation says it expects tn complete construction of the access railway between the tunnel and the existing railway by 1985.

Initially, it was planned that trains of both the Shinkansen (standard gauge) and the existing railway (narrow gsuge) would use the tunnel but de-lays to the expansion of the Shinkansen network mean that it will be used only by tha existing railway in the initial period of operation. The tunnel is also to be used as a telecommunications and electricity suplink between the two

During the ten-year tunnelling programme, by a tunnel-boring machine and drill and blast methods, difficulties en-countered included no fewer than four lnundations of sea water and enormnus ground pressures. Water pressure-the tuonel is beneath 140m of seaand seepage volume determined that the tunnel would be cut 100m below the seabed. Geological conditions also

provided problems and engin-



eers had in cope with highly-fissured valcanic rocks, through which water often seeps, as well as faulting in sedimeotary rocks.

The delays have inevitably meant big increases in costs. In 1971, it was reported that the tunnel project would cost Y200bn 1£453m) but by 1976, rhen delaya were announced, total cost forecasts had esca-lated to Y355.4bn (£805m).

The tunnel is seen as a major aid in improving the efficiency of Japan's econooly by connecting two nf the country's four principal islands and forming the final link in the high-speed rail network from northern Hnkkaido to Kyushu's snuthern tip, a development which is expected at least to triple the volume of passenger and freight traffic.

The Japan Railway Construction Public Corporation has estimated that by 1985 the tunnel would be used by 25.4m passeogers, six times the 1972 traffic on the Seikan Ferryboat Service. It is estimated that freight traffic will reach 26.2m tuns by 1985, five times that in

The tunnel will reduce the journey between Hakodate and Aomori from 230 minutes to 130 minutes. The high-speed system, combined with the tunnel, will cut travelling time over the 1.200 km hetween Tokyo and Sapporo, Hokkaido's capital, by around two-thirds, to just twice the air flight time. It will enable a stable, massive supply of fresb vegetables and meat to Honshu frnm Hokkaido, Competition from train fares could

halve alr fares, Seikan may prove, however. too big an lovestment for the traffic it will carry eventually. Passenger and cargo traffic across the Tsugaru Strait reportedly reached a peak-4.8m passenger-journeys and 8.5m tonnes of freight-in 1973. after air and sea services bad established themselves, then slumped by 40 per cent

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> U.S. \$200,000,000 The Bank of Nova Scotia

(A Canadian Chartered Bank)

FLOATING RATE DEBENTURES DUE JULY 1994

The following have agreed to purchase the Debentures:

MORGAN STANLEY INTERNATIONAL

ARAB BANKING CORPORATION (ABC)

CREDIT SUISSE FIRST BOSTON LIMITED

GULF INTERNATIONAL BANK B.S.C.

MANUFACTURERS HANOVER LIMITED NIPPON CREDIT INTERNATIONAL (HK) LIMITED

SANWA BANK (UNDERWRITERS) LIMITED

SUMITOMO FINANCE INTERNATIONAL

BANQUE NATIONALE DE PARIS

DEUTSCHE BANK AKTIENGESELLSCHAFT

IBJ INTERNATIONAL LIMITED

MITSUBISHI BANK (EUROPE) S.A.

SALOMON BROTHERS INTERNATIONAL

SAUDI INTERNATIONAL BANK

DOMINION SECURITIES AMES LIMITED

The Debentures, in the denomination of U.S.\$10,000 with an issue price of 100 per cent. have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Debenture. Interest is payable semi-annually in July and January commencing in January 1983.

Particulars of the Debentures are available in the Extel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including July 5, 1982 from the brokers to the issue:

39-45 Finebury Squar London EC2A IJA.

June 21, 1982

NEW ISSUE



April, 1982

KUWAIT REAL ESTATE BANK K.S.C.

Kuwaiti Dinars 7,000,000 Floating Rate Certificates of Deposit

Issue price 100 per cent

Managed by

الشكذالكويت البتارة والمقاولات والكنارات الحارب المراحد Kuwait Foreign Trading Contracting & Investment Co. (S.A.K)



Dansk Eksportfinansieringsfond

(Danish Export Finance Corporation)

US \$175,000,000 Syndicated Credit Facility

Lead Managed by:

BankAmerica International Group

Privatbanken A/S Den Danske Bank af 1871 Aktieselskab

The Bank of Tokyo, Ltd. The Dai-Ichi Kangyo Bank, Limited IBJ International Limited The Mitsui Bank, Limited National Westminster Bank Group Privatbanken Limited

Copenhagen Handelsbank A/S Faeliesbanken for Danmarks Sparekasser Aktieselskab

Grédit Agricole The Fuji Bank, Limited The Mitsubishi Bank, Limited Morgan Guaranty Trust Company of New York Williams & Glyn's Bank plc

Australia and New Zealand Banking Group Limited The Daiwa Bank, Limited The Nippon Credit Bank, Ltd. The Saitama Bank, Ltd.

The Sumitomo Trust and Banking Co., Ltd.

The Chuo Trust and Banking Company Limited

The Kyowa Bank, Ltd. The Royal Bank of Scotland plc Sparbankernas Bank Svenska Handelsbanken Union Bank of Finland Ltd

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Yamaichi International (Nederland) N.V.

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The Bank of Tokyo, Ltd. The Dai-Ichi Kangyo Bank, Limited The Industriel Benk of Japan, Limited The Mitsubishi Benk, Limited Morgan Guaranty Trust Company of New York Williame & Glyn's Bank plc The Chuo Trust and Banking Company Limited The Kvowe Bank, Lld. The Royal Benk of Scotland pic Sparbankernas Bank Svenske Hendelsbanken Union Bank of Finland Ltd Arab Bank for Investment and Foreign Trade (ARSIFT) Abu Dhebi

Bank of China Bankhaus Felchtner and Co. Aktiengesellschaft

Yamaichi International (Nederland) N.V. Banco di Santo Spirito (Luxembourg)

BANKOFAMERICA INTERNATIONAL LIMITED



This announcement appears as a matter of record only.

March 1982



Bank of Zambia US \$160,000,000

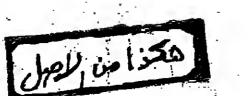
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BANKOFAMERICA**





rinancial tunce to the ame 21 1982 Parliamentary business for this week

BY DUNCAN CAMPBELL SMITH

TODAY Commons: Debate on the crisis in British Rail until about 7 pm, followed by debate on the unemployment crisis among young

Commonwealth Office and Home Office (Room 8, 4.30 pm). Treasury and Civil Service—

Government buildings. Witnesses: Mr A. M. Alfred, Commons: Northern Ireland Property Services Agency Bill, Committee Stage. Property Services Agency Bill, Committee Stage.

(Room 16, 4.45 pm). Social Lords: Short debate on housing Sub-Committee — Subject: The Services—Subject: 1982 Public problems, the current legisla structure of personal income Services—Subject: 1982 Public problems, the current legisla structure of personal income supposed. Expenditure white paper: public tion on landlord and tenant, the taxation and income support

Office (Room 8, 4.80 pm).

Treasury and Civil Service—
Subject: International monetary arrangements. Witnesses: Bank of England officials (Room 15, 4.15 pm). Perliamentary Commissioner for Administration—Subject: Reports nesses: Home Office procedures Premium (Protection of Pay (Room 15, 4.15 pm). Perliamentary Commissioner for Administration—Subject: Reports nesses: Home Office procedures Premium (Protection of Pay (Room 15, 4.15 pm). Perliamentary Commissioner for Administration—Subject: Reports nesses: Home Office procedures Premium (Protection of Pay (Room 15, 4.15 pm). Perliamentary Commissioner for Administration—Subject: Reports nesses: Home Office procedures Premium (Protection of Pay (Room 15, 4.15 pm). Public Accounts—Subject: Wit 1982

FRIDAY

Subject: Fraud officials (Room 15, 4.15 pm). Public Accounts—Sioner. Witnesses: The Land Bill.

Subject: Fraud and irregularities in the Property Services Agency: private finencing of ments (Room 3, 4.15 pm). Ing of Government buildings. (Finance). Witnesses: Treasury

people—both on Opposition Expenditure white paper; public spenditure white paper; public spen

Subject Home Office procedures Premium (Protection of Par

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based, mainly on last year's timetable.

Atopi (E-), (Tartiles) 1440

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MIDMAC

Midmac Saudi Arabia Limited

US \$28,727,877.25

Guarantee Facility for the

Najran and Sharorah Housing Project in the Kingdom of Saudi Arabia

Midmac Holding Corporation S.A. Midmac S.A.R.L.

Arranged by

BankAmerica International Group

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Banque Nationale de Paris

Provided by

Bank of America NT & SA Al-Bank Al-Saudi Al-Fransi (The Saudi French Bank)

Banque Arabe et Internationale d'investissement (B.A.I.I.)

Banque Nationale de Paris

Banque de Paris et des Pays-Bas (Bahrain Offshore Branch)

Saudi International Bank (Al-Bank Al-Saudi Al-Alami Limited) The Gulf Bank K.S.C. (Kuwait) First City National Bank of Houston Texas Commerce Bank, N.A.

BANKOFAMERICA INTERNATIONAL LIMITED

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700

Friday big &

INTERNATIONAL BONDS

A change in psychology

LAST WEEK'S dramatic rise in short-term interest rates has THE BODY TO ded to a major change in the logy of the international band market which is suffer-ing an across-the-board sell-off rivalling the problem of last

Eurocurrency deposit rates tell the story the six-month Eurodollar level nudged above 16 per cent on Friday, e one percentage point increase on the week. The Euro D-mark rate remains 9 per cent and Herr Karl Otto Poehl, president of the Bundesbank, is said to heve told the West German cabinet he sees little scope for e further reduction in Enropean interest retes this year.

In Switzerland, where shortterm deposit rates moved up by to f of a point last week, the six-month deposit rate increased by more then one to close at 64 per cent.

In the slumping Eurodollar bond market, prices were down by almost three points oo the Euro D-mark bond prices fell by nearly two points on average and Swiss franc foreign bond prices had declined 13 point by Friday.

The shakeout, now close to a month old, is possibly more than the one which occurred last year. More paper is being unloaded by dealers and there is no sign whatsoever of encouraging news from the

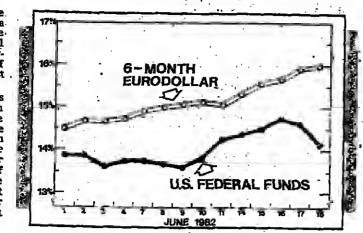
All this suggests that the dire predictions of Dr Henry Kaufman of Salomon Brothers ere true. An increasing number of Eurobankers are taking the view that higher interest rates are here to stay. This is paralysing the Eurohond market, already burdened hy a surplus of new issues.

What precisely is happening? Firstly, it seems that the realisation of a \$100bn U.S. budget deficit has sunk in and is causing huge worries about the U.S. Treasury's finance of it.

Secondly, U.S. corporations, already pressed by the recession, are finding the pressure on cash flow difficult to bear. Massive corporate borrowings of short-term money are in turn affecting short-term dollar in-

This, in turn, is unsetting the International hond market. The 16; per cept rate reached on Friday on Eurodollar six-month depositit money werrants was a level few bankers expected to see so suddenly.

As the interest rates have firmed, the U.S. dollar's overall



said to have been placed. In the West German market

high doller rates and the weakened D-mark caused new

issues to trade at discounts of

as much as 3 per cent. The average yield of 782 outstanding

Euro D-mark bond issues stood

at 9.75 per cent on Friday,

against less than 9.50 per cent

market the party is over-the

As this week begins the ques-

tion on every Eurobond trader's tongue must he: "How

can I keep my head down and

avoid more losses?". This is

not the worst shake-out the

Euromarket has seen, but it is

certainly proving a painful one.

a match for the market.

closed on Thur national holiday.

dollar/D-mark exchange rate coupon at par. On Friday the closed at DM 2.48 on Friday, paper was changing hands at against DM 2.38 a week before. 961 to 961 and not much more The dollar/Swiss franc rate was than a third of the issue was 2.12 compared to SwFr 2.04.

The strength in the U.S. dollar has led to two trends: it has tempted some non-dollar based investors to cash in their chips and realise an exchange gain and it has acted as e disincentive for non-dollar hased investors to invest in Eurodollar

Given the current interest rate picture, a number of investors are shifting from Eurobonds to term deposits. It makes sense to do this because the returns are simply more attrac-

The only way out of this conundrum, say most Euro-henkers, would be some astonishingly good news from the U.S. side of the Atlantic. But the U.S. cavalry has not arrived. Dr Kaufman's words on Friday spell out a depressing scenario: The spectre of the Treasury's enormous demands for credit in the second half of this year is drawing ever closer.

In the Eurobond market, only 2 few brave souls dared to launch new issues last week. Morgan Stanley succeeded with a \$200m floating rate note issue for the Bank of Nova Scotia.

It found itself pushing hard, however, with its \$50m five-year straight hond for Ohio Edison. The original coupon indication was 161 per cent, a price which was realistic when announced. By Friday, however, Morgen Stanley was no longer talking about 16; per cent; it faced the prospect of substantially improving the terms.

S. C. Warburg Jaunched a 350m to \$75m seven-year Issue exchange rate has soured to its for Britain's Fluance for Indus-highest level in 12 years. The try (FFI) with a 151 per cent US CORPORATE FINANCE

Equity for debt craze catches on

t's one of the smartest financial manoeuvres that a company can make in present conditions. But to an ontsider, the transactions waste of time and moncy.

Salomon Brothers Dioneered the idea last August when it arranged for Quaker Oats lo swap new sheres for some of its ontstanding corporate boods. Since then there have been more than 100 such transactions, and the face value of the debt retired by them amounts to

ebout \$7bn.
All sorts of businesses have been involved—including banks, steelmakers, utilities and con-sumer goods specialists — and over 65m new shares have been issued in swap deals.

Salomon has been by far the most ective banker in the field, action. with some 37 transactions u oder The with some 37 transactions uoder The Internal Reveous Seris baying to pay well over 13 than an accounting item. The its belt. Next comes Goldman vice has not yet ruled formally per cent for new money. From compeny has merely exchanged

market an agreed amount of a company's debt. Because of the way interest rates have moved in recent years, it will be able to do this at a substantial discount to the face value. The company then issues enough new shares to the investment bank to pay for the bonds, pric-ing the shares at a discount of perhaps 3 per cent to 34 per cent on the market price as a sort of underwriting fee. The

to its investment clients. If the company bought the bonds itself, it would be faced with a tax liability on the difference between Its purchase price and the face value—its book cent or 7 per cent before tax is report a profit on the deal—keeping profit on the trans- enormously entractive to a bor- perhaps as much as \$80m or so.

bank then sells the shares off

means the bank is at risk when it is selling the new shares but only to movements in the market as a whole. The new shares are not priced until after details of the transaction are

announced, so that investors are

not taken by surprise when the

new shares are offered for sale.

tax-free extraordinary profit, which is handy when business conditions are as tough as they are today. The company elso bolsters its balance sheet by re-ducing the debt and increasing the proportion of equity. If that sounds too good to be true, it is.

Long-term debt costing 6 per wer at a time when Uncle Sam

In a typical swap, an investment back buys through the means the bank is at risk when ser yielding around 7 per cent are yielding around 7 per cent (on dividends paid from after tax profits) makes little sense.

Take U.S. Steel es an example. Its shares now stand at less than one-third of book value, and not much more than half their 12month high. Yet it was prepared or another. It may not be paying As a result, the company gets nearly \$100m—at a discount to would mean that its debt is costa very depressed market price the other week. The proceeds were used to pay off debt, some of which was not due until 2001 than 73 per cent. For existing higher dividends in future shareholders that represents a years.

Of course it will be able to But this will be really no more

A NEW craze — swapping Sachs, with about a score and on stock for debt swaps, but The equity for debt — is sweeping through America's boardrooms. In a typical swap, an invest
In a typical swap, an invest
A NEW craze — swapping Sachs, with about a score and on stock for debt swaps, but The shareholder, it is something that money—which would bave boltoned the investment bankers daiot that the point of view of an existing the benefits of long-term cheap shareholder, it is something that a company should hang on to for a company should hang on to for a sa priocipal in the deal, there are not should be a company should hang on to for a company should hang on to f the current year.

There are circumstances in which such transaction might be justified, some of which might epply to U.S. Steel. For instance, the borrower may be facing sinking fund obligations which have to be met one way ing roughly the same both before and after tax. It may believe that its sbares are ridi-

special cases, it is hard to see how anyone benefits from swapping expensive equity for cheap debt-apart from the investment banke

Richard Lambert

CREDITS

Argentine debt re-scheduling seen as inevitable

THE RELIEF of Port Stanley a fortnight ago. The market was closed on Thursday for a offered little parallel relief to the beleaguered Eurocredit markets last week as inter-In the currency-sensitive wise frame foreign bond national bankers eccepted that the British freeze on Argentine assets is to continue as long as strong U.S. dollar and increased there is no formal cessation of local interest rates are proving

For British banks this meant there was no immediate reason for a let-up in their efforts to persuade their foreign countreparts to share out ioterest payments received from Argentina. The volume of shared payments is growing, but there are a number of in-Alan Friedman stitutions, notably in Japan and France which are holding back.

For Argentina it meant that process as that seen in Poland. added considerably to an the financial stranglebold implied in the sanctions, would energy self-sufficiency give the service in most countries of the grow gradually tighter at a

Even after the assets freeze agree that Argentina will have difficulty in obtaining mediumterm credit. Concern has switched from the immediate Falkland's problem to the in-tense political and economic instability in Buenos Aires. As a result, a rescheduling seems inevitable to many inter-

Argentina's food surplus and country a fundamental economic region. time when foreign debt ser-vicing is already stretching the country's financial resources. strength that could lead to a smooth rescheduling provided talks can begin in time. The result would be more a reall hostilities in the South is lifted most bankers generally structuring of bank debt, Atlantic.

agree that Argentina will have rescheduling covering bond issues and official credits.

But this relatively optimistic scenario is still not enough to lift the gloom on lending to the American continent Latin generally. Fears thet politicel political destabilisation could national bankers, though most spread to other countries per-also say that this need not be sist, and the latest rise in Euro-

elready severe burden of debt

Mexico's latest \$2.5bn Euro-

credit has elicited only about \$350m in syndicetion despite three extensions of the subscription period. The extensions have delayed

the signing of the credit and the \$1 bn bridging facility provided by some of the leed managers has therefore been extended for about 10 days to July 7. Meanwhile, Mexican public sector agencies continue to borrow heavily et very sbort term.

Mexico's borrowing requireas harrowing and dramatic a dollar interest rates will have ments—a gross need of \$25bn

-are so large that it will have to return to the market fairly shortly, but bankers expect a slight pause to anelyse the

current situation.
Similarly Venezuela, which failed to agree with its bankers on terms for a jumbo syndicated credit earlier this month. is continuing with short-term borrowing by public-sector agencies. Transactions reported io the market include e \$315m, one-year loan for the developmeot agency Corporacion Venezolana de Fomento and a Corporacion \$310m short-term loan for the water authority INOS.

Peter Montagnon

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount, m.	Maturity	Ay. life years	Coupen %	Price	Lead manager	Offer yield
U.S. DOLLARS FFI; Bk. of Nova Scotiat;	75 200	1989 1994	7	15} 5}	100	SG Warburg Morgan Stanley	15,250
Ohio Edison ECSC‡	.50 30	1987 1987	5 4}	142	991	Morgan Stanley European Bakg. Co.	14.961
CANADIAN DOLLARS Gas Metropolitan‡	20	1990	8	171	991	Wood Gundy	17.430
D-MARKS Canon **\$‡	40	1989	7	6}	100	Bayr. Landeshk., Nikko Secs.	6.250
SWISS FRANCS BNP1	100	1992		63	99	UBS	6.892
Sears Roebuck**; it yet priced. # Final terms	200	1788 ment. † Flo	_	61	100	UBS § Convertible. Note: Yiel	6.500

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield
Kansai Electricas ‡	100	1987		6}	100	UBS	6.500
Achilles Corp. ** \$7	30	1987	- -	61	100	UBS	6.500
Nippon Carbon**§	. 35	1987	<u>.</u>	• *	100	CS	•
Hitti AG**1	35	1987	-	63	100	CZ.	6.750
GUILDERS IADB‡ OKB**‡	100 75	1992 1987	10	10 <u>2</u> 104	99 100	ABN, Amro Bank Amro Bank	10.919 10.500
KUWAITI DINARS	7	1927	5	12§	*	KFTCIC, KIIC, KIC	
YEN Nordic Invest, Bank!	- 10bn .	1992	9	8.4	99.45	Daiwa Sees.	8-663
ECUs EIB	40	1989 -	6	13}	*	Kredietbank Intl., Soo Gen, de Banque	c. *

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U.S. \$75,000,000

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Banque de Paris et des Pays-Bas County Bank Limited

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Barclays Merchant Bank Limited IB] International Limited Merrill Lynch International & Co. Nomura International Limited Salomon Brothers International

Westdeutsche Landesbank Girozentrale

The 15,000 Notes of U.S.\$5,000 each constituting the above issue have been admitted to the Official List of The Stock Exchange of the United Kingdom, subject only to the issue of the Notes. Interest is payable annually on 1st July, the first such payment being due on 1st July, 1983.

Particulars of the Notes are available from Estel Statistical Services Limited and may be obtained during normal business hours

Houre Govett Litt. Heron House. 319-325 High Holborn, London WCIV 7PB.

21st June, 1982.

This announcement appears as a matter of record only.



THE INDUSTRIAL BANK OF KUWAIT K.S.C.

Kuwaiti Dinars 7,000,000 10 per cent. Bonds due 1987

Issue price 9312 per cent

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Alahli Bank of Kuwait K.S.C. Kuwait Kuwait International Investment Co. s.a.k. The National Bank of Kuwait S.A.K.

Burgan Bank S.A.K. The Commercial Bank of Kuwait S.A.K. The Gulf Bank K.S.C. Kuwait Real Estate Bank K.S.C.

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Crédit Lyonnais



U.S. BONDS

Rise in prime rate expected soon

EVERYTHING IS pointing to-wards an imminent rise in the 50 basis points during the past U.S. prime rate, perhaps as early week. The Treasury's latest as this week. The prime at most two-year notes auction last major U.S. commercial banks bas Wednesday was a disaster with stood at 161 per cent since little retail demand either from February 23, but the market domestic or foreign buyers. now expects it to increase to about 17 per cent reflecting the sudden spuri io U.S. interest rates in recent days.

It is fronic that interest rates sbould be accelerating again at a time when the market generally recognises that the Fed has been adopting a relatively tolerant approach to monetary growth. After months of agonising over the Fed's tight squeeze on money, Wall Street was hoping for some relief on the

interest rates front. But for a variety of technical and psychological reasons this has simply not happened. The impact of a more accommodating Fed has been wiped out it

U.6. INTEREST RATES (%)

seems by the strong seasonal loan demand exacerbated by the continuing ripple effects of the Drysdale affair.

These factors, and not any tightening on the part of the Fed, kept the Fed funds rate up in the 14 per cent range all last week compared to 13} per cent the week before.

Indeed, the Fed did Intervene in the overnight market with system repurchase orders which supply reserves to the market and should normally bring the funds rate down. But despite the Fed's long awaited action. Fed funds contioued to trade at a disappointing mid 14 per cent

Because of the beavy loan demand banks have been borrowing in the overnight market. Moreover, an increasing number of dealer banks have turned to the Fed funds market in the wake of the Drysdale flasco instead of borrowing through loans using Treasury securities as collateral. By the end of last week, the Treasury 14 per cent 30-year long bond was down at 98; from

as much as 107 barely over a

month ago. As for corporate

The market does oot expect Fed funds come down to around 13 per cent. While this could arill happen if the Fed maiotains its tolerant approach to monetary policy, the market is beginning to become nervous that substantial growth in M-1 next month could reduce the Fed's flexibility in coming

Indeed, the Fed is again under attack from the Adminis-tration with the Treasury apparently conducting a mejor review of monetary policy. Frustrated by the state of shambles in the credit market, the Treasury is apparently considering ways of restricting the independence of the Fed. The move appears to reflect the Administration's dismay for the failure so far of its economic recovery programme to appease the credit market and a desire to turn the Fed into a scapegoal

In recent weeks, the Fed has indicated it was no longer so preoccupied by the fact that annual target. Until the end of this week, the market has been expecting the Fed to continue to tolerate M1's deviation from the target and made no change in its market intervention policy when the Federal open-market committee mects next month. On the other hand, Mr Paul Volcker, the Fed chairman, emphasised in his testimony on Capitol Hill last week: "It would be alsortsighted for the Federal Reserve to abandon a strong sense of discipline in monetary policy in an attempt

to bring down interest rates." At the same time, the market is likely to face pressure from another angle in coming weeks. Already there is growing evi-dence that the U.S. economy is poised for recovery - albeit recovery of modest propor-

The combination of ail these factors is doing little to lift the market's depressed spirits. After all, the Treasury's record \$96bn in credit demands for the second balf of the year is now literally on the market's

Mesa abandons battle with Advance in PKbanken profits up Gulf for Cities Service

GULF OIL has come a blg step action with respect to Mesa." closer to acquiring Cities Service, the 20th largest U.S. oil company, with the decision by Mesa Petroleum to drop its rival bid.

Mesa sald it will sell to Cities Service for \$225m the 5 per cent atake in Cities Service it had accumulated in the past 18 The companies will drop all

litigation and end the takeover bids each had made for the other during a bitter battle. Cities Service accepted last Thursday an offer of \$63 a sbare Mesa has apparently decided waa fruitless to counter the S5bn offer from Gulf which is the U.S.'s aixth largest oil com-

pany. Under peace terms spelt out in a joint statement Mesa has agreed that in the next five years it will not buy any Cities Service shares or seek to influence the affairs of the rival company as long as Cities Service "does not take any such

Mesa is not walking away ing any troublesome down-empty handed. It will make a stream assets it acquires. This tidy profit of \$44m before tax from the aale of its 4.1m Cities Service shares to Cities Service. Cities Service will pay Mesa \$55 a share for the stock Mesa bad acquired at an average price of \$44.25.

The \$55 a share price was a compromiae between Mesa's average purchase price and Gulf's \$63 a abare offer. The agreement between Cities

Service and Mesa removes the major obstacle to Gulf's bid. The only reat one left could come from U.S. anti-trust authorities. But although in the past a merger between two major oil companies would have been sider Guif's offer high, the unthinkable, Washington is company's move reflects Guif's unthinkable, Washington is currently adopting a far more tolerant attitude:

Nevertheless, Gulf has domestic acknowledged that the merger reserves. Guif could raise some anti-trust objections in certain petrol retailing markets in one or two a break-up value currently put ducts and bleaching chemicals—states. It would be able to get at between \$90 and \$100 a chare. have continued to perform well.

earnings at KemaNobel

KEMANOBEL, the Swedish chemicals group achieved earn-ings of about SKr 80m (\$13.3m) in the first four months of the year, an increase of about SKr 50m over the corresponding period of 1981. Consolidated earnings for the whole of 1981 were only SKr 50.8m.

Sales advanced by about SKr 200m to SKr 1.4bn. The company expects to maintain the rate of improvement in profit performance through the rest of the year.

The market for petro-chemicals is still characterised by over-supply and low prices KemaNobel says. Its profit recovery, which contrasts with the continuing downward plunge in most other European plastics and chemicals comis attributed to last replace and increase its domestic U.S. oil and gas year's adjustment of output to demand. Moreover, several

Other group operations — adhesives, resins, consumer proanalysis say Gulf is paying a good price for a company with have continued to perform well,

59% at four months

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

PKBANKEN, Sweden's stateowned commercial bank, raised profits by SKr 102m, or by 59 per cent, to SKr 274m (\$45.6m) in the first four months of 1982 compared with the correspond-ing period of 1981.

Income climbed by 24 per cent to SKr 832m while costs rose by 12 per cent to SKr 558m. Included in the costs are credit losses of SKr 30m and unrealised losses of SKr 9m on foreign currencies, which are related to U.S. dollar loans raised for the bank's investments abroad.

The increase in results from last year's to this year's first four months is unusually but hecause of the depressed operating conditions for Swedish banks at the beginning of 1981. PKbanken does not expect to increase profits at the same rate during the rest of the year but is forecasting for 1982 as a whole a rise of some 20 per cent on last year's SKr S73m. The operating results for the PKbanken group rose by SKr 113m to SKr 31301 in the few markets with the second state of the sec four-months with the subsidiary in Luxembourg showing tha largest improvement.

Euro-Clear refunds fees

Friedman reports.

The refund covers all fees \$236.5bn for December last year paid in the six months to May to May was 144 per cent higher 31. Mr Ian Speers, chairman of than a year earlier.

EURO-CLEAR, the Brussels Euro-Clear, said the decision rebased international bond clearing system, is refunding US\$1.4m of clearance and delivery fees to its 1.200 automative factors.

Friedman reports.

Euro-Clear, said the decision relation for the most active period ever in both the primary and ever i Euro-Clear's turnover

INTERNATIONAL APPOINTMENTS

European Investment Bank posts

● The Board of Governors of the EUROPEAN INVESTMENT BANK. consisting of one Minister from each of the teo member atates of the European Community, has appointed the bank's new management committee
—the ElB's president and five vice-presidents—for the next statutory six-year term of office. The management committee is the full time "motor" of the bank, controlling all current operations, recommending deci-aions to the directors and then carrying responsibility for their implementation. The president presides at meetings of the board of directors.

The composition of the com-

mittec is now as follows: president, Mr Yves Le Portz (appointment renewed, French); vicepresidents, Mr Horst-Otto Steffe (appointment renewed, German): Mr C. Richard Ross (appointment renewad, British); Mr Aric Pais (new appointment, Dutch): Air Lucio Izzo (new appointment. Italian): and Mr Noel Whelan (new appointment, Irish). Two vice-presideots who did not seek

Esselens (Belgian).

Mr Plerre Werger: Prime Minister, Minister of State and Governor for Luxembourg, takes over chairmanship of the bank's board of governors until the 1983 annual meeting. Mr Coroeille Brück, President-Directeur of the Caisse d'Epargne, Luxembourg, was appointed chairman of the hank's Audit Committee.

Mr John Heywood will be of Mr. John Heywood will be retiring as a managing director of JARDINE MATRESON AND CO., on July 9. His responsibilities for the international operations of the Jardine Matheson Group will be taken over by Mr. Simon Keswick who will be appointed a managing director of the company from director of the company from July 10. Mr Keswick joined the company in 1962.

• Mr Brian Evans bas been appointed a director of ROLLS-ROYCE (INDIA). He also general manager, based in New Delbi and succeeds Mr A. M. (Max) Scott, who has retired. He was commercial executive-international collabora-

Mr George F. Knapp has been appointed director of market and product management for telecommunications and electronics at ITT Europe in Brossels. Mr Knapp was elected a vice-presi-Paul Betts re-appointment have retired: Mr Knapp was elected dent of ITT in 1976.

Vettor (Italian) and Mr Maurits . Mr Charles S. Sanford Jr. will bank's management committee,

round these problems by divest-

would not worry Gnlf. whose prime purpose is to buy Cities

Services producing oil and gas assets and the company's sub-

stantial undeveloped acreage in

the U.S. Another possible obstacle

could still come from a rival

bid by a major oil company.

But this is regarded as unlikely since Gulf is already paying a generous price and another

major oil company would have

to come in with a hostile offer

which would stand far less.

chance of success than a friendly bid.

Although some analysts con-

urgent longer-term needs to



Mr Charles S. Sandford Jr

Vezr. Mr Sanford, who executive currently president to charge of resources management and a member of the bank's management committee, will also succeed Mr-Hannon as president of Bankers Trust New York Corp., the bank's pareot company. The appointments take effect on Mr Edward A. Lesser, executive

hecome president of BANKERS Mr Sanford has been elected a TRUST COMPANY upon the director of the bank and the relirement of Mr John W. Mr David Elyan, secretary of Hannon Jr. at the end of this AGB Research, Mr Frits Becht, managing director of AGB

Netherlands and Mr Maarten Hartsulker, joint managing director of intomart, have been appointed to the board of ASPEMAR. Miss Christine Ellinger, formerly commercial manager of Gik-Belgium, has been appointed general manager.

 Mr Harrison L. Towees has been appointed president, chief executive officer and chairman of the board of the recently formed TOKLAN OIL CORPORATION. In 1981 Harrison L. Townes was acquired by Par Investment Cor-poration. Out of this merger was born Toklan Oil Corporation.

Mr Howard A. Knight has been appointed managing director of WEEKS PETROLEUM. Westport, Conn.

• Mr Chris Tewell has been appointed as a director in New York of MORGAN GRENFELL INC. His principal role is to establish and develop a lease packaging capability in the U.S. market

Mr W. A. Rogers has been appointed to the newly-created corporate position of director of January 1 1983; Together with product research and develop-Mr Edward A. Lesser, executive ment for the DOW CHEMICAL vice president in charge of COMPANY. He has been serving fiductary and a member of the for the past two years as director Warreo, Gorham and Lamost, baden.

of division research and develop-ment for Dow Chemical USA in Midland, Michigan.

Mentage Com-Midland, Michigan.

FRITZSCHE DODGE AND OLCOTT INC., has appointed Mr



Mr Hans Van Essen Hans Van Essen as vice president fragrance develop-ment and chief perfumer. Mr Van Essen has extensive experience in the worldwide fragrance industry, having been employed most recently by Firmenich Inc. and Roure Bertrand Dupont. • INTERNATIONAL THOMSON ORGANISATION, Toronto; has made the following appointments: Mr T. L. Cross, chairman and chief executive officer of

me principal U.S. mining company of International Thomson Organisation Limited. Mr J. F. Letsy, chairman of Wadsworth Inc. is appointed deputy chairman of International Thomson Organisation Inc. Mr R. S. Smith. chairman and chief executive officer of Callaghan and Co. Mr D. R. Waraken, president and chief executive officer of Wadsworth, Inc, and Mr J. A. S. Gill, vice-president, chief financial officer and secretary of International Thomson Holdings Inc. join the board of International Thomson Organisation Inc. International Thomson Organisation Inc is the holding company for International Thomon's U.S. information and publishing interests.

• The ROYAL BANK OF SCOT-LAND has appointed Mr Leslie A. Haig, at present manager (international) at the bank's head office in Edinburgh, as senior representative at its Houston representative office io Texas, from July 1.

· Mr Achim Weers has been appointed managing director of MoDoCell AG. Wiesbaden. He is at present head of pulp sales at G. Schürfeldt and Co., Hamburg. Mr F. K. von Butteo has been appointed deputy managing director of MoDoCell, Wies-

U.S. \$40,000,000

BANCA SERFIN, S.A.

Subordinated Floating Rate Serial Notes Due 1985-1989

MORGAN GUARANTY LTD

BANCO DE BILBAO S.A.

Banco de Bogota

BANK OF AMERICA INTERNATIONAL LIMITED

CHEMICAL BANK INTERNATIONAL GROUP

BANKERS TRUST INTERNATIONAL LIMITED

BANQUE NATIONALE DE PARIS

BARCLAYS BANK GROUP

CONTINENTAL ILLINOIS LIMITED

CREDIT LYONNAIS

MANUFACTURERS HANOVER LIMITED

SAMUEL MONTAGU & CO. LIMITED

All of these Securities have been sold. This announcement appears as a matter of record only.

FT INTERNATIONAL BOND SERVICE

U.S. OOLLAR U.S. OOLLAN

STRAIGHTS

Astha Life 15 86/97 ... 150

Amax Int. Fin. 16% 92

Amax Of Fin. 14% 89

APS Fig. Co. 168, 89

T. Sell Paris 14, 24, 56 50

YEN STRAIGHTS Issued Bid Offer day week Yield Asien Oev. Bk. Bk. S1... 15 58½ 95½ -0½ -1 8.41 int.-Amer. Dev. 8% 91 15 101 102 -0½ -0¼ 8.52 Jepan Airlines 7% 87... 9 55% 96½ 0 -0% 8.90 New Zesland Bb. 87 ... 15 98% 99% -0% -0% 8.53 World Sank Bb. 32 ... 20 98% 85% +0% -0% 8.54 Awyrens price changes

EUROBOND TURNOVER (nominal value in \$m) U.S. \$ bonds Previous week

Previous week 1,121:5

* No information availableprevious day's price. † Only one market maker

supplied a price. STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Conpon sbown is minimum. C.dte = Date sbown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡tbrea-month; above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld=Tha current

CONVERTIBLE BONDS: De-cominated in dollars unless nominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Perrate used at issue. rrem=rer-centage premium of the current effective price of acquiring shares via the bond over the most recent price of the ahares.

international bonds for which an adequate secondary market exists. The prices over the past week were aupplied by: Kredietbank NV; Credit Commarcial de France; Credit Lyonnais; Com-merzbank AG: Deotsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg Krediathank Algemeoe Bank Nederland NV Pierson, Heldring and Pierson Credit Suisse/Swiss Credit Baok Credit Suisse/Swiss Credit Baok;
Unioo Bank of Switzerland;
Akroyd and Smithers; Bank
of Tokyo Interoational; Bankers
Trust Iotarnatinnal; Chase Manhattan; Citicorp International
Bank; Credit Commercial de
France (Securities) London;
Daiwa Europe NV: Deltec
Securities (UK); EBC; Firat
Chicago; Goldman Sachs International Corporatioo; Hambros
Bank; IRJ International; Kidder
Peabody International; Merrill
Lynch; Morgan Stanley Intarnational; Nikko Securities Company (Europe); Orion Royal
Bank; Samuel Montagu and Co.;
Generals Strauss Turnbull;
Scandinavian Bank; Societe
Sumitomo Finance Intarnational;
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Closing prices on June 19

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[18] 291 18] 481 18] 481 18] 548 591 18] 561	1955 Cani. Pacific	151s 101s Foster Wheeler 161s 255s 153s Freeport McM 165s 153s 154 Freeport McM 191s 15 83s GAF 101s 323s 96 GATX 23 371s 297s Gannet 313s 21 156s Gelco 165s	166s 117s MacMillian	175g Republic Steel 175g 7 96 Rep of Texas 983a 412 215a Resch Cottrel 10 121a 121a Resch Cottrel 10 121a 121a Revor (DS) 255g 255g 21a 271a Revor (DS) 255g 21a 271a Revier Cosper 22a 271a Revier Cosper 28a 271a Revier Cosper 28a 271a 271	135s 111g Virginia EP 121 6434 40 Vulcan Matria 445 125s 1134 Walker III Res 121 55 3859 Wal-Mart Stores 465 541s 241g Warner Comme 671 525; 451e Warner Comme 671	GERMANY	5.86 2.10 Nartogen Energy 2.10 1.46 0.93 Mooker 0.93 1.20 1.45 1.35 1.03 1.35 1.03 1.30 1.65 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.66 1.80 1.70 1.80 1.80 1.80 1.80 1.80 1.80 1.80 1.80 1.80 1.80	117 168 Tekye Gas. 108 524 522 Tokye Sanyo, 455 217 200 Tokyu Corp. 203 324 890 Toshiba 519 432 405 TOTG 405 426 417 Torye Zelkan 417 1,110 215 Teyota Motor 1,010 2,890 1,256 Vietor 2200
184 137 121 121 317 317 317 32 42 93 60	2 1.24 Central & Sw 1536 2 10 Central Soya 1058 2 1054 Certain-toed 1676 2 1514 Cesana Aircraft 1559 2 14 Champ leme Sid 254 2 18 Champ int 12 3 676 Champ Sp Piug 734 4 676 Champ Sp Piug 734	445 : 5514 Gen Cineme 5924 601s 19 Gen Dynamics 982s 601s 19 Gen Dynamics 982s 861s 565 Cen Electric 601s 381s 991s Gen Foods 351s 4514 31 1s Cen Instruments 352s 482s 331s Cen Mills 483 861s 341s Gen Motors 451s	401s 31s Marriott. 34 2: 55s 29s Marsh Molenn. 53 3-55s 29s Marsh Molenn. 53 3-55s 29s 14s Marshall Field. 2-3 3: 35s 29s 61s Martin Mits. 24s 1s Marshall Field. 37s 27s 27s 4masoo. 31 3: 32s 15s Marshall Field. 17s 5: 13s 17s 16s Marshall Corp. 17s 15s 16s 16s 16s 16s 16s 16s 16s 16s 16s 16	2 1914 Reynolds Mtls 1936	2016 Warner-Lambt 203, 204 Washington Post 331, 3614 2414 Washington Post 283, 3614 2414 Walte Mangt 267, 2614 2616 2114 Wells Fargo 2614 2468 1912 W. Point Pegpl 394, 2514 2116 Westin Atri. 81, 2718 2117 Westingheuse 241, 2416 24	1982 June 18 Price Dm 45.9 32.1 A9C-Telef	0.34 0.14 Meridian Oil 0.16 0.17 0.04 Monarch Pet 0.06 1.26 Myer Emp 1.46 2.86 9.33 Mat.Sank 2.40 2.50 1.85 Newe 2.15 1.45 1.20 Nicholas Kiwi 1.20	956 577 Yamaha
563, 37, 197a, 67g, 471, 544, 367a, 395a		225 Gen Signal	### ### ### ##########################	758 1256 Ryen Hemes 1656 2378 Ryder System 28	28 225 Wayerhaeuser 2312 4314 9712 Wheelobratr F 28 3014 124 Wheeling Pitts 13 305e 2318 Whiripool 99 2914 2234 White Consoltd 243 3318 92 Whiteloon 243	285.5 Bayern-Verein	Name	1982 June 18 Price Rand 4.50 2.45 Abercom
551s 85s 274g 33 144s 1712 45fs 19	244s Citias Service	101e 241s Cerbes Prod. 201s 41s 415s Getty Oil. 131s 131s 151s 1	141s 87s McLean Trukg 137s 36 2314 157s Mead 1614 40 595s 641s Media Denil. 3441s 46 465z 34 Medironic 45a 51 23 881s Mellon Nati 497s 29 4614 175s Melville 4614 18 6444 534 Mercantile Sts. 645s 8 8644 68 Merck 68	12 is 2P\$Technol,sies 135; 14 Sabine Corp	285 14 5 Williams Co	916 172 D'sche Babcock 185 2 287.5 265 Deutsche Bank. 266.2 0 185 141 DU 3chult. 169.8 0 167.5 129.5 Dresdner Bank. 145.5 4 213 182 CHL 128.1 1 70 61 Hapag Loyd. 61 1 137.4 109 Hoschst 109 2	1.00 1.70 1.70 1.70 1.80 1.70 1.70 1.80 1.70 1.70 1.80 1.70 1.70 1.80 1.70	7.0 5.0 Currie Finance. 5.6 8.62 4.05 De Beere 4.09 0 1 B.6. Driefontein. 20.25 1 20.75 F6 Geduid. 20.75 4.8.0 Gold Fields S.A. 48 6.55 5.7 Highwald Steel. 5.23 2.6 6 Nutetts 6.D 8.5 24.75 Kloof 5.5
NEW	Indice	1 344 Grainger W. W 344	544e 237s Merrill Lynch 241g	14 961 ₂ Jachering Plough 277 ₈	164 104 Zanith Radio 101 ₂	122.8 102 Horton 118.5 SII 180 124 Kalf und Salz 156.1 210 176 Karstadt. 201 173 120 Kaufhef 172 122 186 KHD 176 69.7 58.8 Kloeckner. 54.5 2	1982 June 19 Price 8 28 1.91 Boustead Shd 1.91 28 4 3.54 Celd Storage 3.78	b.20. 5.1 Nedbank
	June Juna June June June June June 18 17 16 15 14 1 tr'is 788,82 781,48 796,80 801,27 801,85 805	1 High Low Nigh Low 2,74 882,52 7M.62 1051,70 41,22 Al A	STRALIA Grd. 11/1/851 488,8 478,9 474,4 44 tai & Minia. (1:1/86) 521,7 528,2 829,8 81	50.5 586.5 (4/1) 456.6 (10/8)	1282 June 18 Price 3	197 187 MAN. 152 3. 163 138.9 Mannesmenn. 140.8 8. 265 961 Mercedes Nig. 251.2 7. 972 900 [Metallgesell 200 5. 690 616 Mueuch Ruek 545 2. 207.8 190 Prausag 190	75	1882 June 18 Price
Transpo. Diffities Trading Ogo - Day's	160,70 167.00 108.48 160.87 109,22 100	1,85 (7/1) (134/8) (184/8) (34/82) (34	STRIA ndit Aktien (2/1/82) 50.87 50.82 60.82 8 LGIUM glan 8E (61/12/85) 92.82 82.91 95.47 8 NMARK Denbagen 8E 11/1/75) 198.88 109.61 109.55 18	8.78 102,45 (5;4) 88.42 (20/1)	BELGIUM/LUXEMBOURG 1982 June 18 Price Fra.	295 272 Schering 272 250 198.8 Stemens 212 221 71.5 Tyssen 82 185 142.5 Vorta 149.5 134.5 128.8 Veha 153 Ni 270 153.4 129 Volkswagen 146.5	7EDEN 115 156 66 66 67 9h Low Kronor 5 1224 190'ACA 196 122 19 122 197 187 197 198 111 199 112 115 115 115 115 115 115 115 115 115	.85 1.32 Acesita 1.70 .65 8.45 Banco Brasil 16.60 .70 3.1 Belgo. Min. 5.01 .10 2.65 Brahma PP 7.10 .85 6.50 Loges Amsr. 8.60 .20 8.00 Mannesmann DP 2.56 .20 6.3 Petrobras PP 11.85
	### June 11 June 12 June 13 June 14 June 15 June 17 June 15 Ju	S 8.80 5.48 In OE 1952 Since Cmpli't'n Get	LAND	5.55 229.45 (5/4) 219.56 (19/1) 1.5 728.8 (5/4) 566.7 (18/1)	1,700 1010 ARBED 1,166 4,100 6,900 Bank int A Lux 4,100 9,150 1,450 Bank int A Lux 9,145 1,846 1,330 Ciment CBR 1,454 2,15 141 Deckerill 150 2,050 1,560 EBES 1,610 4,740 6,550 Elestrobel 6,370 3,950 2,000 Fabrique Nat 9,500 2,720 9,180 G.B. Inne 2,536 1,730 11,200 G.B. Isrux 1,650	1982 June 18 Price Frs. 2,000 1.636 Francis 419 1875 1 586 5	178 178 178 178 178 178 178 178 189	AVIV Parces Changs June 20 en the 1982 week
'Indust'! d	10.88 129.15 121.38 122.58 122.88 124.88 129.95 11 121.38 122.88 129.95 11 121.87 128.88 129.95 11 121.87 128.88 129.95 11 128.87 128.88 129.95 11 128.87 128.88 129.95 11 128.87 128.88 129.95 128.87 128.88 129.95 128.88 128.88 129.95 128.88	14.53 137.28 114.41 750.88 8.52 AN' 14/11 14.51 128711,880 6876,825 11.24 122.74 187.28 149.52 4.407 14/11 (18.5) (28.711,880 (18.62 14.62 1	CBS (ndust 11879) 87.5 68.4 68.6 68.	74.8 10/5) 68,2 (4/1) 1.27, 1445.32 (12/1) 1129,88 (8/8)	1,950 1,490 Devaert 1,705 1,760 9,550 Hobokon 2,930 1,570 1,304 Intercom 1,300 1,150 4,000 Kredletbank 4,750 1,080 5,500 Pen Hidgs 6,030 1,020 4,390 Petrofina 4,425 1,000 4,300 Royale Beige 6,340 1,580 Soc. Cen. Bang 9,260	5.122 2,670CNF 27 3,193 512 457 Air Liquide 458 167.9 115 Acquirtaine 118 178.5 115 IAcquirtaine 141 550 580 BIC 475 1,210 641 Bouvaues 641	106 106	Leumi le Isiaal 1,379
NYJEE	E. ALL COMMON 1982 Issue: Juno June Juno June Line Juno June Juno June Juno June Juno June Juno June Juno June	13,24 12,48 Dev Tok Rises and Falts June18 June17 June16 Traded 1,828 1,850 1,848 Stra 452 678 603	7 Average (18/6/45) 7127.7 7120.25 7142.58 7181 70 New SE (4/1/68) 856.57 858.29 856.71 640 WAY 8E (1/1/72) 118.4 116.21 117.57 118.4 APORE 155 Times (1886) 712.21 718.14 718.45 718.	.15 585,29 (27/1) 520,70 (17/5) 2 .77 180,38 (25/1) 100,19 (1/4) 9	,975 1,030 Soc. Cen. Belge. 1,176. 950 6,100 Sofina	820 507 CFAD 527 960 149 CFS (Thamson 159 280 150 Cie Bancaire 165.2 SWI 359.5 269 Cie Den Eaux 300 194 108 Coffmeg 120.1 High 94 49.8 Crousot Loire 78 141 112 CFP 151	TZERLAND 1282 June 18 Priso Fri. Invest	hor' list. Mt. Sk. 2,295 — 18 Development 'Israel Inv. 1610 4,200 + 30 Land Davol. 2r. 1,450 — 50 rty end Building 1,790 + 20 Utility Electric Cpn 1,400 + 65 Iment Companies
61.74 81.5	96.52,6766,05, 71,90 81,98 Unchair Unchair (4/1) (17/6) Stew H New Li	928 1,055 814 SOU Delc Industrial Sour Page 1	TH AFRICA 1350 528.4 358.1 358.7 370. strial (1950) 587.7 523.6 529.9 528. Nd 8E (88/12/81) 99.88 100.06 100. DEN been & P. (1/1/80) 589.38 887.18 586.48 584.	8 568.2 (6/1) 358.1 (17/6) 7 711.7 (8/1) 528.4 (16/6) 18 107.45 (8/2) 84.21 (29/6)	1982 June 18 Price Kigh Low 2 2 2 2 2 2 2 2 2	1,550 1,020 Dumez. 1,055 1,5 488 360 Gen. Occidental 490 1,5 96 81,4 metal 51,4 287 242,8 afarge 246,8 9,3 1,010 713 L-Oreal 874 55 1,705 1,380 1,59rand 1,381 68,50 63,50 65,50 65,50	Second	Leumi Invest 933 — 23 lerael Invest 1,185 — 20 ercels and risi Sas 2,200 80 80 80 80 80 80 80
	Combined 259.88 249.94 244.17 245. FO Composite R65.1 1577.5 1404.8 1418 NEW YORK ACTIVE Change en	## 516.82 (4.1) 226.82 (19/5) 2WIT 5.5 256.5 (4.1) 1765.1 (18/6) WOR Cap! Change on Ch	ZERLAND Bank Gpn, (61/12/44) 245.4 245.4 245.1 245.	B 265.1 (11/1) 242.5 (11/6) 1 147.2 (4/1) 125.4 (17/6)	145.2 87 East Asiatic	1,330 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,300 1,30	1,160 Jelmoil 1,290 Ara Ara Ara Ara Ara Ara Bool Ara Bool Bool Ara Bool Ara Bool Bool Ara Bool Bool Ara Bool B	1,20
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MONEY MARKETS

Growing marital problems

Europe may be trying to divorce but the response from other were concerned the surge in Port Stanley-was taken. The itself from the effects of volatile currencies was fairly restrained. Eurodollar rates overshadowed strength of sterilog against all iog difficult to achieve. The net Euro Swiss rates moved up rather a minimal level as Eurodollar time deposit rates by Swiss cut io London clearing bank events on the other side of the base rates several days before Atlantic. rates soured was a charp fall of baoks. of all major curreccies aggiost

An unexpectedly large rise in U.S. bousing starts last menth. was interpreted as evidence that the economy is more buoyant than expected, which coupled with projections of heavy U.S. Treasury horrowing to figance the Budget deficit, led 10 grave doubts of any marked fall in U.S. interest rates in the near term.

supporting two Rates Europe's weakest currencies, the French fraoe and Italian lira. actually fell, but this is not quite as surprising as it first seems because following the recent de-valuation of both curreccies the oeed for protection has eased. Belgian rates were forced higher however as speculative attention tended to switch towards the Belgian franc as a potential candidate for yet another EMS re-

U.S. loterest rates, but eveo a Sterling. D-mark and guilder the successful conclusion to the currencles except the dollar gives period of trial separation is proved. Eurorates rose slightly, while This was largely because a opportunities for any further result of keeping European more, but from much lower British victory had already been cuts in London interest rates are interest rate movements down to levels, following the increase in discounted, as illustrated by the likely to be severely limited by

WEEKLY CHANGE IN WORLD INTEREST RATES

U.S. bousing starts last menth, was interpreted as evidence that the economy is more buoyant than expected, which coupled with projections of heavy U.S. Treasury horrowing to finance the Budget deficit, led to grave doubts of any marked fall in U.S. interest rates in the near term. Eurodollar rates rose by about one percentage point last week, BANK OF ENGLAND TREASURY BILL TENDER	June 19 ohange June 18 Change
June 18 June 11 June 12 June 11 8lile on oller £100m	Three month 1534 + 75 Three month 2073 Unch'd AMSTERDAM OUBLIN One month 388 + 30 Grae month 1854 - 18 Three month 218 + 32 Three month 1234 - 18
applications £525.555m £494.25m Avere 28 Total allocated £100m £100m accepted bid £26,246 : £96,235 Amount on offer at next tender £100m £100m	London—bend 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and bend 3 bills 34 to 63 days. Rates quoted represent 9ack of England buying or selling rates with the money market. To other centres rates are generally deposit rates in the domestic money market, and shell respective changes during the week. "Band 4 124.

FT LONDON

INTERBANK FIXING

3 months U.S. dollars bid 16 5/8 offer 16 1:2				
bid 16 š/8	Offer 16 I;2			
6 months (.S. dollars			
bu 161/1	attas 165:2			

medical means, rounded to the nearest for \$10m quoted by the market to five reference banke at 11 em each Bank, Bank of Tokyo. Cautsche Zank, Bengue National de

LONDON MONEY RATES

June 12 1282	Sterling Certificate of deposit	Interbank	Authority deposits	negotiable bonde	Finance House Deposits	Company		Treasury Sille *		Fina Trade Bills &
Overnight 2 days notice		11-16	1218-1254 1264-1254		=	1224-13	11-1212		= 1	Ξ
7 days or 7 days notice	, — I	1240-1273	1254	<u> </u>	=	13.131	121e	~ :	= '	· <u> </u>
Dne month	127a 1234	12, -13	1276	135g-134g 131g-131g	13 13 ()		124	12 - 12 ; 12 - 12 ;	1245	135
Three months.		1279 13	127a	134-13	13	1314	1214	12 1214		13-1 12-1 12-1
Nine months., One year	12 12 12		13	1314-1276 1316-123	13/2	=	_	= :	= i	Ξ
Two years			1354	_	~					-

Local authorities and finance houses sevon days' notice, others soven days fixed, Long-term local authority mortgage rates, nominally three years 13½ per cent; four years 13½ per cent; four years 13½ per cent; four months trade bulle buying rates for prime paper. Suying rates for jour months trade bulle

Finance Houses 2800 Rares (published by the Finance Houses Association) 14 per cent from June 1 1982, London and Scottish Clearing Sank Rates for lending 12½ per cent. London Clearing Sank Deposit Rates for sums at esver days' notice 9½ per cent. Treasury Bills: Average tender rates of discount 12,2425 per cent.

Certificates of Tax Deposit (Series 5) 13 per cent from June 9. Deposits withdrawn for cash 10½ per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 19	Sterlin2	U.S. Oollar	Canadian Doller	Outch Guilder	Swiss Franc	D-mark Franc	Italian Lira	Balgien Franc Conv. Fin.	Yan	Danish Krone
Short term	1212-1256 1253-1254 1253-1274 1254-1355 13-1318 1314-1314	1456-1479 1478-1319 1312-1312 1354-16 1378-1618 1311-1618	153-1634 1614-1714 1718-1756 1758-1773 1718-1754 1714-1718	8 1 8 1 4 9 2 1 4 9 1 5 9 1 5 9 1 5 9 1 5	2.212 212.3 66 66	9.1 8. 164-1618, 9.4 9. 134-1613, 8. 2. 1714-18 9.1 2. 174-1212 9.918 134-1212 9.4-24 1914-12	18-20 · T9-205a 20-21 21-215a 21-215a 225g-235g	13-17; 1412-13 13-1718; 143-15; 1612-1712; 1559-1378; 1714-1814; 1558-1378; 17-18; 1558-16-8; 1634-1712; 1512-1334	658-678 6:-714 718-714 7:7:- 7:7:-	20-21 ¹ 2 1858-20 ¹ 8 17 ¹ 2-19 ⁵ 2 18 ⁵ 4-20 ¹ 4 18 ¹ 4-19 ⁵ 4 18 ¹ 6-19 ⁵ 8

SOR linked deposits: one month 13-13³2 per cent; three months 13³4-12¹³4 per cent; six-months 13³4-13³5 per cent; one year 13⁷4-13³5 per cent.

ECU linked deposits: one month 12³1-12³4 per cent; three months 12⁷4-13³4 per cent; six months 13³4-13³5 per cent; one year 13³4-13³5 per cent.

Asian S (closing reles in Singapore): one month 15³4-15³5 per cent; three months 16³4-16³5 per cent; six months 16³4-16³5 per cent; one year 16-18³5 per cent; low years 15³4-16³5 per cent; nominal closing rates. Short-term rates are cell for U.S. dollars. Canadian dollars and Japanese yen; others two days notice.

The following lates were quoted for London dollar certificates of deposit; one month 15.10-15.20 per cent; three months 15.45-15.55 per cent; six months 15.65-15.76 per cent.

CURRENCIES AND GOLD

Dollar very strong

in the foreign exchange market level since the end of August last week as a result of the 1931 against the D-mark closing sharp rise in Eurodollar interest at DM 2.46 compared with DM rates. The six-month rate 2.3950 on the previous Friday, touched 16½ per cent on Friday and touched the best level since morning, and finished the week last September against the Swiss at 16 per cent compared with france, rising to SwFr 2.12 from 15½ per cent on the previous SwFr 2.0475 on the week.

Fears that U.S. rates will remain firm, and that Eurodollars pushed up the dollar to the could touch even higher levels, pushed the dollar up to record levels against the yen, closing at Y255.10 compared with Y247.50.

The dollar's trade-weighted independent of the council firm special property of the council for the council firm special property of the council for the council firm special property of the council for the council for the council firm special property of the council for the

at the end of the previous week, It was a similar story in terms of the lira, which coded the week at L1.331 against L1.327 a

GOLD MARKETS

The dollar touched new peaks The dollar rose to its bighest

Low Japanese interest rates,

and Italian Itra, and the highest level for soloe time against other major currencies. Although the French franc appeared to have temporarily solved its problems within the European Monetary System, it was fixed at an allitime low against the dollar at the Paris fixing on every day last week.

The U.S. currency was fixed at a record FFr 6.8020 on Friday, and continued to advance later in the day, finishing at FFr 6.8250 compared with FFr 6.3350 at the end of the previous week, Gold suffered from the dollar's

Gold suffered from the dollar's strength, falling to \$305-306 on Thursday, the lowest level since August 1979, and ended the week \$19 down at \$307-308.

June 17

\$82 \(\frac{1}{2}\).84 \(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).48\(\frac{1}{2}\).49\(\frac{1}{2}\).40\(\frac{1}{2}\).53\(\frac{1}{2}\).23\(\frac{1}\).23\(\frac{1}{2}\).23\(\frac{1}

THE DOLLAR SPOT AND FORWARD

June 18	sbussq psy.a	Close	One month	p.a.	months.	p.s.
uK†	1,7300-1,7470	1,7390-1-7400	0.34-0.44c dis	-2,69	1.37-1.47dis	-3.26
frelandf	1,3950-1,4040	1,3960-1,3980	0.51-0.41c pm	3,54	1.18-1.03 pm	3.15
Caneda	1,2870-1,2935	1,2880-1.2890	0.20-0.23c dis		0.52-0.56dis	-1.68
NathInd.	2,7000-2,7100	2,7035-2,7075	1.55-1.45c pm	6.56	4.90-4.75 pm	7.14
Sci2lum	46.95-47,15	47.12-47.14	2-6c dia		17-22 dis	-1.66
Denmark	9.4740-2.4975	6.4740-8.4790	0.40-0.55ore dis	-0.74	1.00-1.50dis	-0.59
W. Ger.	2,4450-2,4650	2,4595-2,4605	1.33-1.28af pm	6.38	4.30-4.25 pm	
Portugal	82,76-83,25	83.05-83.25	20-130c dis	~11.54	70-370dis	-10.5B
Spain	110.90-111.25	111.15-111.25	87-97c dia		200-240dis	-7.93
Italy	1377-1382	13801-13815	54-64lire dis	-3.00	17-78 dis	-5.21
Norway	6.2300-6,2500	6.2310-6.2380	1,60-1.20ore pm	2.69	1,80-1,40 pm	1.03
Frence	6.7850-6,8300	6,8225-6-8275	4-15c dia		3-4 dia	-2.06
Sweden	6.0660-6,0830	6,0660-6,0710	0.50-0.30pre pm	0.79	2.40-2.70 pm	1.52
Japan .	253,40-255.25	255.05-255.13	1.77-1.69y pm	2.14	5.55-5.45 pm	8.62
Austria	17.26-17.311	17.253-17.275	114-10pro pm		34-31 pm	7.51
Switz.	2.1100-2.1250	2.1195.2.1205.	1.80-1.72c pm		5.40-5.32 pm	10.11

t UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. doller and not to the individual currency.

THE POUND SPOT AND FORWARD

Juna 19	Day's spread	Close	One month	p.e.	Three months	p.e.
U.S.	1,7300-1,7470	1,7390-1,7400	0,34-0.44c dis		1,37-1.47dis	-3.28
Canada	2.2375-2.2545	2,2415-2,2425	0.83-0.93c dis		2.68-2.78dis	-4.87
Nethind.	4.68-4.73	4.714-4.724	13-14c pm	3.81	47-43: pm	3.92
2el2ium	81.35-82.13	81.95-87.05	22-32c dis		95-105 dis	-4.68
Denmark	14.57-14.21	14.78 - 14.79 -	13-165-ora dis	-12.78	294-314 dis	-8.25
Ireland	1.2360-1.2450	1.2415-1.2430	0.53-0.75p die	-6.56	1.91-2.10dis	-6.46
W. Gar.	4.24 -4.29	4.27-4.23	13-15pf pm	3.85	47-4 pm	3.97
Portugal	143.70-145.00	144.40-144.50	80-286c dia	-14.31	240-778dis	-14.07
Spain	192.20-193.80	193.30-133.50	410-455c dia		790-835dis	-16.80
Italy	2386-2407	24001-24025	13-18lire dis		75-515 dis	-8.24
Norwey	10.82-10.89	10.85-10.86	6-7'-ore dis		111-134 dis	-454
France	11.78-17.88	11:885-11.875			134-154dis	-4.97
Sweden	10.54-10.59	10.387-10.577			33,45, dis	-1.51
Jegen	440-446	4431-4441	2.20-1.90y pm		6.45-6.05 pm	
Austria	29.87-30.17	30.03-30.08	34-271-910 pm		635-515 pm	
Switz.	3.66-3.70	3.685-3.695	21-2c pm		64-64 pm	6.21
	Beigian rate is	lar canvertible				
	Six-month forw		-2.88c dia. 12-m			

FORWARD RATES AGAINST STERLING

EMS EUROPE		LOOF			ATE
Ooliar D.Merk Franch Franc Swee Franc Japanese Yan	4.25 11.87 3.6875	1.7434 4.2662 11.9150 3.6650 442.0	1.7537 4.2375 12.0175 3.6238 437.8	1.7678 4.2040 12.1950 3.5730, 432.1	1.7877 4.1384 12.4167 3.4705 420.7
	Sput	i monut	2 Intering	O IIIOIIAI	12 1110410

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	central against ECU		% changa adjusted for divergence	Olvergener
Belgian Franc	44,9704	45.2288	+0.57	+0.52	±1.5501
Denish Krone	2.23400	2.16455	-0.84	-0.89	+1.6430
German O-Mark	Z.33379	2,35961	+1.11	+1.05	±1,0888
ranch Frence	3.61387	6.54272	-1.09	-1.13	+4,3940
outch Guilder	2,67971	2.50381	+0.83	+0.88 .	+1.5004
nah Punt	0.691011	0.688778	-0.61	-0.86	±1.6691
talian Lira	1350,27	1328.04	-1.65	-1.85	±4.1369
Chenge	s ave for E	CU, therefore	osinve cha	nge denotes	

CURRENCY MOVEMENTS

Bank of Morgan England Guaranty Index Changes%

91.9 - 52.1 120.5 + 12.6 85.3 - 91.5 117.4 + 27.0 95.0 - 1.7 22.4 - 14.3 125.1 + 49.4 143.7 + 93.4 116.5 + 23.4 74.5 - 19.9 53.6 - 58.4 132.6 | +26.2

CURRENCY RATES

Sterling — 0.629451 U.S. S — 12 1.09243 Canadian S 16.39 Austria Sch. 64 18.8903 Belgian F. 14 51.3988 Danian Kr. 11 9.27746 D mark — 212 2.56246

Rights Units

166,4001

OTHER CURRENCIES

EYCHANGE CROSS BATES

Krugrad \$51634-51712 (£182-18212)
1/2 Krug \$16512-16412 (£94-2412)
1/4 Krug \$23-84 (£4734-4814)
1/16 Krug \$53-85 (£1212-26)
Mapleleaf \$531812-51712 (£19154-19212)
New Sov \$7312-74 (£4814-4212)

Juna 18	e e			£
		I		Note Rates
Argentino Peso	26,358 26,328	13.250-16,300	Austria	22,80-30.10
AuetraliaDollar				
Brazil Gruzeiro				
Finland Markka	8.189 8.221	4.7200-4.7220	France	11.73-11.83
Oresk Orechma	1 18.231-120.148	68.00 68.30	Germany	4.23.4.27
Hong Kong Odlier	10.9712-10.29	5.9100 5.9150	Italy	2360-2400
IranRial	147.20	83,90*	Japan	442 447
KuwaitDinanKD)	0.50000 0.50410	O.2881 Q.2885	Netherlands	4.67.4.71
Luxembourg Fr	81,93-82,05	47.12.47.14	Norway	10.83 10.93
Malaysia Doller	4,1010 4.1110	2,3590 2,3620	Portugal	140 156
New Zeeland Oir.	2.3860.2.3300	1.3390 1.3403	Spain	184 4 194
Saudi Arab. Riyai,	5.97-3.98	3.4303 3.4323	Sweden	10.31 10.61
2:ngapore Dollar	3.7530-3.7630	2.1590-2.1620	Switzerlano	3.67-3.71
Sth.African Rand	1 8370 1 9583	1 1250-1.1260	United States	1 794.1 744
U.A.E. Dirham.	6 39 6 40	3 6716-3 6735	Yuzoelavia	801-106
Charles Billiams	0.55.0,70	. 0.0120-0.0100	1 4200124104	04-5-100
فبالكالم بالمساوية			وبي المحجب المحب	_

1£1761g-1771 1£1751g-1721 1£177,3561 1£177,1881

_	Gelluna		بربي التكليبي التكلية		
83	1,125 3,671	0-1,1260 6-3.673	United States	1.7814-1.7414 8912-106	
30	. 2,159	0-2,165(witzerlano	3,67-3,71	
	3.430	3 4.432	Sweden	10.31 10.61	
Õ	1.339	0.1.340	Spain	1844 194	
TU	2.559	U 4.5021	PORTUGAL	140 156	

3,4303 3,4323 9 0 2,1590 2,1620 9 3 1,1250 1,1260 9 3,6716 3,6735 9	Switzerlano United States	10.31 10.61 3.67 3.71 1.784 1.744
*Gelling rate.		-

June 18	Pound St'rling	u.s. Dollar	Deutschem'	JapanescYen	FrenchFranc	Swiss Franc	Dutch Gulid'	Italian Lira	Canadia Dollar	Beigian Franc
Pound Sterling	0,376	1,740	4.280	444.0	11.97	3,689	4.719	2402.	2,849	82,00
U.S. Dollar		1,	2.460	255.2	6,824	2,120	2,712	1381.	1,289	47,14
Deutschemark	0,234	0.406	2.640	105.7	2.773	0.952	1,102	561,1	D.524	12.15
Japanese Yon 1,000	2,232	3.919		1000,	26.73	2,305	10,93	5409,	6.050	184.7
French Frank 10	0,842	1,465	3.506 ·	374.1	· 10.	3.107	3.974	2023.	1.889	59.08
Swiss Franc	0,271	0,472	1.161	120.4	3.212	1.	1,279	651.3	0.608	22.24
Dutch Guilder	0,212	0.368	D.907	94.12	2,516	0.782	1,084	509.1	0,473	17.88
Italien Lira 1,000	0,416	0.724	1.78g	184.9	4,843	1.535		1000.	D,934	34.15
Canadian Dollar	0,446	0,775	1,969	198.0	5,294	1,645	2,104	1071.	1.	36,57

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Financial Times Monday June 21 1982



FINANCIAL TIMES

Monday June 21 1982



Italian alarm after banker's death

BY RUPERT CORNWELL IN ROME

THE MACABRE discovery of brosisno led to a 30 per cent the hody of Sig Roberto Calvi, drop in its share price last 61. chairman of Banco Ambro-stano, in London has created consternation and alarm among Italy's financial community and politicians alike.

The hody of the financier, until last wek at the helm of his country's largest hanking group in private hands, was found hanging from Blackfriars Bridge on Friday.

Only a post-mortem tomorrow will determine bow he met his death in this situation. Italian magistrates just back

from London appear to support a spicide theory. The death has been the climsx of a dramatic week in Rome and only underlines how the

Ambrosiano affair threatens to prove Italy's biggest financial scandal since the collapse of the Sindons empire in 1974. The basic uncertainties are two-fold. Immediately, the authorities are deeply anxious about how markets will react today.

The gathering crisis at Am-

week before trading was sus-pended on Thursday night, and the Bank of Italy nominated a temporary commissioner to

Hours later Sig Calvi's pri-vate secretary took her life. At the weekend a second group of three commissioners was appointed by the Central Bank to superintend Ambro-siano. This move, the Central Bank hopes, will avert a crisis of public confidence and a pos-

sible run on the bank. All slong the authorities have maintained that the Italian end of the group, including the Toro insurance group, Credito Varesino and Banca Cattolica del Veneto, the most profitoble single bank, is aound. Total assets are little sbort of \$20bn (£11.5bn).

This is despite Ambrosiaco's reported involvement with the troubled Italmobiliare concern list of the P-2 Freemasons' of Sig Carlo Pesenti, and with Lodge, alleged to have been a

ing house.

The real doubts revolve round
Latin American offsboots of Ambrosiano, in particular the Baoco Andino of Lima.

In a letter to Sig Calvi shortly before he vanished from Rome on June 10 the Bank of Italy intimated that these subsidiaries had a total exposure of \$1.4bn in loans of which little is known. Sig Calvi kept details of the intricate operation of foreign subsidiaries a closely-guarded secret. It is widely believed that through them he held effective

control of the bank. For over a year he was at the centre of mounting controversy, in particular since the deal with Rizzoli, wbose ownership of Italy's most important newspaper, the Corrière della Sera, makes it the object of intense political interest.

Within weeks he was charged with currency offences and appeared in the membership list of the P-2 Freemasons' list of the P-2 Freemasons' "warning" to Sig Calvi bimself. in London on Saturday Lodge, alleged to have been a Concelvably light could be police called a "State within the State," Durthrown to the background of exchange" on the case.

suicide, and in July was sentenced to four years' jail. He remained at liberty pending an appeal due today. Consistently good reaults from his banks have not prevented ance company.

allegations of improper conduct He, like several other senior

flight from Itaty on a passport carrying the name "Glampiero Roberto Calvino" are a com-plete mystery, as Is his reason for going to London, a city which never featured in his

affairs: and whom he saw there.

Many believe that be was under fierce pressure, possibly related to he P-2 and its fugitive grandmaster, Sig Licio Gelli. In April Sig Roberto Rosone, Ambrosiano's deputy chairman and Sig Calvi's right-band man, was wounded in a Milan shooting. widely interpreted as a

iog his triat he tried to commit the whole murky affair by the interrogation under way in Rome of Sig Bruno Tassan Din, managing director of Rizzoli arrested on charges of irregular dealings in shares of an insur-

at Ambrosiano, and of close Corriere journalists, was also involvement with political involved with the P-2. arties. To the end Sig Caivi insisted The circumstances of his that his troubles had begun in earnest with the sgreement, of dubious financial justification, linking La Centrale with Rizzoli

> Gareth Griffiths writes: The City Police said yesterday it was trying to establish where and when Mr Calvi entered the UK, and what his movements were from entry until death. No date for an inquest had been set and Interpol would be kept in-formed of developments.

> Five secior Italian police men, jockuding the deputy public prosecutor, were in London on Saturday for what

understand, but only a modicum of prestidigitation to impress the audience. The right of European banks to maintain hidden reserves is perpetuated by the draft EEC Directive on bank reporting, which allows losns and advances to be undervalued by MERCHANT BANKS up to 5 per cent. Sucb concessions are enjoyed 1970 '72 '74 '76 '78 '80 '82 by banks in most European countries, though in the UK the dispensation is limited to

relatively small number of merchant banks, mostly those which are members of the Accepting Houses Committee, and to the dozen or so discount houses. Hidden reserves are not, however, permitted in the U.S. and the increasing interna-U.S. and the increasing interna-tionalisation of the operations of banks is changing the whole approach to the question. The most important users of bank acrounts are increasingly be-coming other banks—and they are unlikely to be satisfied with a quality of financial reporting which has been designed to calm the nerves of unsophisticated

There is a great deal of com-fort in baving something tucked away up your sleeve. Bankers certainly like indulging in a little steight-of-hand when they

produce their accounts—nothing that will seriously deceive, you

local depositors. So it is that in the UK a select committee of the House of Lords has come out against secret reserves. And even in Switzerland, the bastion of: panking privilege and secrecy, the Swiss Banking Commission has been far from pleased at the way in which banks have used their secret reserves to cover up the effects of financial

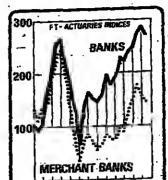
blunders,

Confidence

The argument for the existence of hidden reserves is that they provide a cushion for a bank in hard times, A bank re-lies on the confidence of depositors, which might be shaken if large exceptional losses were reported. Depositors, it can be srgued, feel more comfortable in the knowledge that a bank has something in reserve to

But such an approach immediately renders the accounts use-less for more precise purposes. such as the valuation of the bank's shares. And It is more than a little paradoxical that banks should seek to impress customers losses on silver deal-their customers by showing ings, although by 1981 the losses themselves to be less rich than had become so large, and the they really are.

how such hidden reserves to report a sharp drop in pub-should be accumulated. Unless lished earnings. they can be created out of cap-ital profits or exceptional in argue that these distortions are



THE LEX COLUMN

No banking on

inner reserves

have to be built up by the diversion of part of each year's profits. Because of this, the maintenance of a halance sheet cushion also bas the effect of giving a bank's management the opportunity to manipulate the profit and loss account.

How this is done varies

between banks. There is a lot to be said for the approach of several of the private accepting houses, such as Baring Brothers. which simply shows as profit the amount needed to cover the dividend. Thus the Baring profit and loss account for 1981 consists of just two items inner reserves £1m, dividends At least this has the merit of being transparently

unhelpful. But the listed accepting houses follow a different policy, and Hill Samuel, for instance, has just published banking profits of £12.58m against £10.68m for the year to March 1932, Such precise figures could mislead users of the accounts into thinking they have more meaning than they have. In fact, the rule is that the disclosed figures reflect the trend of the true results. -

although not the magnitudes.
A third, still more artificial disclosure policy is possible, in which a smooth, gently rising earnings trend is manufactured from the volatile raw lugredients. This appears to have been the approach of some of the Swiss banks, so that Credit Suisse's earnings profile was barely dented by the Chiasso losses in 1977. And more recently Swiss Volksbank declared higher profils for 1980 despite bearing the burden of hey really are. general banking elimate so.
There is also the question of difficult, that it had finally

sake of public confidence. But, to an increasing extent, banks are no longer able to hide their hidden assets. They no longer deat with just local depositors, but also with other banks around the world—who run around the world—who run balance-sheets through their computers. If the published balance-sheet relies are not good enough, then vague talk about secret reserves—which may or may not be the computer. may or may not be there—is not going to cut mach ice in international markets.

This leads to the phenomenon of the repeated release of inner reserves into the published balance-sheets. Baring Brothers. for instance, has taken to frans-ferring fom a year, and many other UK accepting houses have done the same.

A similar policy has been adopted by that Far Eastern advocate of hidden reserving. the Hongkong and Shanghan Banking Corporation, where HK\$400m was shifted last year out of the reputedly vast scuret reserves into published share-holders funds. Because of this recycling process, some analysis believe that the Hongkung Bank's inner reserves are in fact comparatively small

Lacklustre

So we bave a decidedly curious situation in which many banks are tucking more profits away into their inner reserves than they can afford to leave there. The cushioning effect of the hidden assets against major disasters is therefore only limited—and the main purpose of the maintenance of such reserves has come to be the habitual manipulation of carn-

Such distortions are against the interests of external users of accounts, and the question thus he seriously asked whether they do the banks themselves any goon. In the UK, the two group which cling to the "pririlege" of exemption from full disclosure requirements, the merchant banks and the dis-count houses, have produced very lack-lustre performances in the stock market over the

The UK clearing banks and the U.S. banks do not appear to have been notably harmed by full disclosure, There is a strong case for arguing that the need to publish true profits sharpens the competitive attitude of a bank and encourages the management to thick more carefully about exposure to risk. And judging by the public calalogue of mishaps in Swiss hanking, secreey is in any case no longer something which can be sustained hy means of financial

Government likely to support job compromise

By Philip Bassett, Labour

THE GOVERNMENT is likely to support compromise proproviding temporary part-time work for the long-term unemployed which are to be considered tomorrow by the Manpower Services Commission.

The proposals are a substantial variant on the original scheme put forward in the Budget by the Chancellor of the Exchequer in an effort to reduce the numbers of long-term unemployed, which are unemployed. expected to top Im this year.

The £150m scheme will cover about 100,000 of the long-term unemployed and is in addition to the training scheme which will be announced today by Mr Norman Tebblt, Employment Secretary. Mr Tebblt will accept the new training initiative proposed by the MSC, and will publicly drop his insistence that those who refuse places on it should in turn be refused supplementary henefit,

Mr Geoffrey Holland, MSC

They suggest that participants in the scheme work part-time for a wage set at the part-time equivalent of the rate for the job. They would also receive training funded by the MSC. Exactly bow the week should he divided bas not yet been agreed, but the most likely option is that there should be

2; days' pay to 24 days' benefit. This is substantially different from the scheme originally proposed in the Budget, which envisaged only the payment of

benefit, plus any expenses.
While the wage is less than the four days' pay such groups as the Trades Union Congress and voluntary organisations were seeking, the TUC is un-likely to oppose the 21-21 proposal, if as is likely, it wins government approval.

government approval.

The MSC paper says the scheme has "considerable attractions." In particular, it says: "The scheme would represent an attractive balf-way stage between long-term unemployment and full-time employment. psrticularly with the option of further education or training during the period in which participants were not engaged in temporary work." The MSC also believes the

scheme might prove attractive to many sponsors, especially local authorities; and that it would be attractive to single long-term unemployed people, The scheme would be in

addition to the Community Enterprise Programme.

Talks on Costa Rica bond plans

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

MANAGERS of Costa Rica's ex- Costa Rica, emphasise that such Geneva a week today to consider tary. proposals which could set a prebonds in international debt rescheduling.

lawyer and a representative of Costa Rica. They suggest that exchange their paper for new bonds which bear conditions akin to those in the commercial bank rescheduling. But the proposals, which

by the creditor banks and rescheduling of bonds went rescheduling.

ternal bond Issues will meet in an exchange should be volun-

The proposals, by a special cedent for treatment of Euro- study group followed criticism in the bond market of efforts by creditor hanks to draw bond The study group consists of bolders into arrangements to banks' representative. a reschedule Costa Rica's \$3bn (£1.73bn) foreign debt. The sum is equivalent to 60 per cent bond holders be asked to of the country's gross domestic product

The banks insisted that the bond holders he included, to

against the principles, of the securities market. national bonds outstanding, for a total of about \$130m.

Acceptance of the proposals by the bond managers would offer a solution to a problem which bas plagued the Euromarkets since the Polish debt dilemma emerged last year.

Polish bonds involved making scheduling bond issues bas a distinction between corporate holders of the paper-many of which were banks-and private prevent preferential treatment individuals. The latter were to managers, they would still of them but the bond managers be repaid on schedule, the present difficult technical probhave been agreed in principle objected on the grounds that former to be subjected to the

Bond market hankers said that was both invidious, because Costa Rica has five inter- it offered unequal treatment to bond holders, and impracticable. because it was very difficult to establish the true identity of bond holders in the Euromarket. Since then, the stream of corporate and sovereign re-

schedulings has continued and, with more debt problems to The solution for holders of prospect, the debate over rebecome increasingly urgent, Even if the new proposals were to be accepted by the bond

Bonds, Page 18

TUC requests unions to pay fees earlier

BY PHILIP BASSETT, LABOUR CORRESPONDENT

advance psyment of their affiliation fees by three months It has not been enough. because of current internal cash-flow difficulties.

Last year the TUC was in make this change. Since it may response to this initiative.

The TUC was in make this change. Since it may response to this initiative.

The TUC "inner cabinet." its

there are suggestions that the

As a first step to improving Its cash flow, at the end of last

suggestion has helped the TUC,

rules it may have to be put to

tomorrow are spelt out in a pushing down the memberships money to meet its current costs. general council. Today's meet-confidential memorandum from of affiliated trade unions. At In the long run these will be of affiliated trade unions. At In the long run these will be ing, and the council's on Wed-present, individual unions pay more expensive for affiliated resday, will be among the final 47.5p per member a year in unions since they would have to sessions for preparing a report cover the costs of interest on the issue to Congress. charges.

year the TUC asked constituent if unions do not comply with responded to the motion passed unions to change their time of this request, then affiliation fees by last year's Congress, which This move may now well paying affiliation fees from the —which provided an income of would give general council receive enough support to usual end of a quarter to the £3,073,728 in 1980, according to seats automatically to those secure victory.

At present the TUC is hoping to be able to make no request to

finance and general purposes committee, will today consider Details of the comprontise deficit could rise to fim. The congress in September.

over the Budget scheme which main cause of the problems is will go before the MSC the effect on unemployment in not done it will have to borrow the structure of the TUC

The TUC also believes that bow small unions in the TUC

THE TUC is formally requesting beginning. While the positive the TUC's last accounts—will unions with more than 100,000 ing its 108 affiliated unions to response of many unions to this have to be increased again.

Following consultation with the small unions it is understood that they have in the main decided in favour of the "single list" option, which would mean their voting for 11 general council members from a single list, regardless of trade group, in addition to the so-called automaticity proposals.

ms likely to be the basis of the TUC's report to Congress. But it will be challenged by a motion from the Today's meeting will be told miners arguing for a rejection of last year's resolution and a reanrn to the status quo ante.

London, S.W., S.E., E. Anglia, Midiands, N. Wales, N.W.

Max 19C (86F). N. England, N. Ireland, S.W. Scolland, Isle of Man

Rain at times, some bright intervals. Max 16C (61F). S.W. England, Chan Isles. S.

Cloudy, heavy showers, some sunny intervals. Max 18C (64F).

Glasgow, Cent Highlands, N.W.

Mainly dry, some sunny intervals Max 15C (59F).

Mainly dry, cool and cloudy.

Scotland

Elsewhere

Showers, some bright periods.

come of some kind, they will a price worth paying for the reporting privileges.



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SDP credit scheme for industry | Weather :

posed at the weekend by an

SDP study group.

The aim would be to back projects which "contributed to the restructuring of industry" and possibly those boosting regional development.

They might include advanced manufacturing systems, new products, or formation of marketing and distribution facilities abroad. The proposal is in an SDP

green paper" published at the weekend. This suggests creation of a Ministerial committee on indus-try headed by the Prime Minister, served by a secretariat of civil servants and business-men, supported by an sdvisory comprise about two-thirds panel on industrial policy made up of 10 or 12 senior indus-trialists.

Five-year medium-term loans

would be provided at a rate 5

AN INDUSTRIAL credit scheme percentage points below current led the working party that proto provide cheep long-term interest rates. The paper finance for industrial projects suggests that a subsidy of £100m duced the report, eovisages £300m devoted to this each year. which meet criteria set down a year for five years would for a Liberal-Social Democratic enable £2bn of cheap loans to Alliance Government was probe provided, protecting industry costed at £650m to £750m. on

terest rates.
Mr Bill Rodgers, the MP who

from the impact of the bigb in- top of the Industry Depart-

Total cost of propossls in the current £2bn budget. Details, Page 5

Faklands Continued from Page 1

The Argentine general staff announced at the weekend that the British ice patrol vessel, HMS Endurance, and British troops landed from two belicopters early on Saturday afternoon, were poised to capture the tiny Argentine naval outpnost of 10 men on Morreti Island in the Southern Thule group of the South Sandwich Islands. The Argentine navy had been in occupation of the rocky onterop since 1976.

John Wyles in Luxembourg

writes: Britain came under

Mr Francis Pym, the British Foreign Secretary, argued with other EEC Foreign Ministers in favour of continuing the trade embargo until Argentina had formally announced and end to bostillties. But Herr Hans Dietrich Genscher, the West German Foreign Minister, is thought to have pressed hard for the embargo to be lifted

Outlook Showers, bright intervals, temperatures near normal.

strong pressure last night from its EEC partners, led by West Germany, to agree to lift the Community's trade sanctions against Argentina.

WORLDWIDE Y'day midday mid

Commons inquiry into property agency

BY ANDREW TAYLOR

and management of government property-starts today.

memorandum from the Comptrotler and Auditor General

dishonesty. In the separate investigation the wake of several recent court is because material discussed Mr Heseltine has commissioned cases which bave involved might prejudice any future Sir Geoffrey Wardale, a former agency staff in allegations of court hearings.

which refers to a number of

A PARLIAMENTARY investigation into alteged "fraud and the Environment Department, irregularities" at the Property together with a senior partner Services Agency — the body responsible for the acquisition countants, "to investigate the taking bribes from maintenance and meaning ment of government of governme circumstances of recent cases of fraud and corruption in the An independent inquiry into Property Services Agency."

services senerally. I am looking to the inquiry to give a realistic perspective to this matter and mittee may decide to hear in disturbing cases where civil to suggest what rhanges in pro-servants have either been con-virted or charged with he desirable."

Inter and mittee may decide to hear in private some of the evidence due to be given today and at a further session of the committee

The investigations come in

have involved members of agency staff at Plymouth. Devon affairs at the agency, ordered by Mr Michael Heseltine. Environment Secretary, is already under way.

The investigation by the Commons Public Accounts Committee has heen triggered by a memorandum from the Composition of th The Metropolitan Police Fraud Squad has also been investigating allegations of corruption which may involve London staff of the agency. The in-vestigations, which began in

planned for Wednesday. This

taking bribes from maintenance contractors. Other court cases

Mr Monty Alfred, agency chief executive, who is due to be a witoess at today's select committee hearing, has become increasingly concerned at public criticism of the government

He says: "The assertion that the says: "The assertion that the agency is an organisation of considerable inefficiency and has been over the last decade hardly squares with the facts. Since its formation in 1972, although the worklosd overall has hardly changed, the numbers employed at the agency have fallen from 45,000 to 30,000.

"Any organisation can hecome a victim of dishonest staff and its procedures and practices pur at risk, accordingly. It is for this reason that the Scoretizer's San organisation for the staff and its procedures and practices pur at risk, accordingly. It is for this reason that the agency is an organisation of considerable inefficiency and

ingly. It is for this reason that the Secretary of State set up an Independent Iquiry."

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